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# ***JPRS Report***

## **Soviet Union**

***Political Affairs***  
**USSR AND REPUBLIC FUNDAMENTALS**  
**OF CIVIL LEGISLATION**

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# Soviet Union

## Political Affairs

### USSR AND REPUBLIC FUNDAMENTALS OF CIVIL LEGISLATION

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91UN1955A Moscow IZVESTIYA in Russian 26 Jun 91 Union Edition pp 3-7

[USSR Law: "Fundamentals of USSR and Republic Civil Legislation"; For the Draft Fundamentals of Civil Legislation, please see JPRS Report Soviet Union: Political Affairs JPRS-UPA-91-011 of 1 March 1991.]

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## **USSR and Republic Fundamentals of Civil Legislation**

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[Text] USSR and Republic Fundamentals of Civil Legislation

### **Section I: General Principles**

#### **Chapter 1: Fundamental Principles**

##### **Article 1: Relations Regulated by Civil Legislation**

1. Civil legislation regulates commodity and monetary relations and other property relations based on equality among participants, as well as personal non-property relations connected with property.

The participants of relations regulated by civil legislation are citizens (physical bodies), corporate bodies, states and autonomous formations and administrative-territorial formations (see Article 25 of the present law).

2. Personal non-property relations not connected with property relations are regulated by civil legislation unless otherwise stipulated by USSR and republic legislative acts (henceforth to be referred to as "legislative acts") or necessitated by the nature of the personal non-property relations.

3. Civil legislation is applicable to family relations, labor relations and relations involving the use of natural resources and environmental protection which fulfill the conditions set forth in point 1 of the present article in cases where those relations are not regulated by corresponding family or labor legislation or legislation governing the use of natural resources and environmental protection.

4. Civil legislation is not applicable to relations based on the administrative or other hierarchical subordination of one party to the other, including tax-related and other budgetary relations, with the exception of cases for which provision is made by USSR and republic legislation (henceforth to be referred to as "legislation")

##### **Article 2: Civil Legislation of the USSR and the Republics**

1. Republic civil legislation regulates in accordance with the present Fundamentals those relations listed in Article 1 of the Fundamentals, with the exception of relations, regulation of which has been assigned to the USSR as well as relations which the USSR is obligated to regulate under the USSR's international treaties.

2. In accordance with the present Fundamentals USSR civil legislation regulates:

- 1. the basic principles of the legal status of citizens and corporate bodies and of the property belonging to them, issuance and circulation of securities, circulation of currency, relations of banks with their clients and with each other, and the conclusion and realization of foreign economic transactions;
- 2. the legal status of all-union state property and relations connected with its use in foreign trade and other foreign economic operations;
- 3. contractual obligations and other obligations connected with entrepreneurial activity carried out within the territory of two or more republics, as well as procedures and terms for the distribution and implementation of orders for the production of goods and performance of work for all-union needs;
- 4. relations of organizations engaged in rail, sea, air and trunk pipeline transportation, all-union communication and information systems and the unified energy system with their clients and among themselves;
- 5. relations concerning the creation, use or protection of inventions, industrial models, trademarks, names of firms, efficiency proposals, production-related and breeding secrets, as well as general principles concerning the creation, use or protection of works of science, literature or the arts and other fruits of intellectual activity;
- 6. the application of one republic's civil legislation in the territory of another republic;
- 7. application of the civil laws of other states.

##### **Article 3: Sources of Civil Rights and Obligations**

Civil rights and obligations stem from the foundations set forth in legislation, as well as from the actions of citizens and corporate bodies, even if not intentional on their part, yet which as a result of the general principles and intent of civil legislation give rise to civil rights and obligations.

In accordance with the above, civil rights and obligations originate:

- from contracts and other transactions stipulated by law, as well as other transactions which, though not stipulated by law, are not in violation of the law;
- from administrative acts when the issuance of such acts creates civil legal consequences by dint of legislation;
- as a result of the creation of inventions, industrial models, works of science, literature or the arts and other fruits of intellectual activity;

- as a result of damages caused to another individual, and likewise as the result of the acquisition or saving of property at the expense of another individual (unjustified enrichment);
- as a result of other actions by citizens and corporate bodies;
- as a result of events from which civil legal consequences ensue under law.

#### Article 4: Objects of Civil Rights

1. The objects of civil rights include things, money, securities and other property, including property rights, inventions, industrial models, works of science, literature or the arts and other fruits of intellectual activity, as well as other material and non-material benefits.

2. Property is divided into real property and chattel property.

Real property consists of parcels of land and everything permanently connected with them, such as: buildings, other structures, enterprises, other property complexes and perennial plantings. Legislative acts governing real property may not be applied to other property. The specific conditions governing acquisition and termination of rights to real property are to be established by legislative acts.

Property which can be moved without excessive damage to its purpose constitutes chattel property, unless otherwise stipulated by legislative acts.

#### Article 5: Exercise of Civil Rights

1. Citizens and corporate bodies exercise at their discretion the civil rights which they possess, including the right to defend them.

2. The exercise of civil rights should not violate the rights and legally protected interests of other individuals.

When exercising their rights citizens and corporate bodies should respect society's moral principles and the rules of business ethics.

Civil rights are protected by legislation, with the exception of those cases in which they are exercised in a fashion contrary to the intended purpose of those rights.

3. Use of entrepreneurs' civil rights to restrict competition is not permitted, with the exception of cases stipulated by law. Such use includes:

- abuse by entrepreneurs of their dominant position in the market, specifically through limitation or termination of the production of or removal from circulation of goods in order to create shortages or inflate prices;
- the concluding and implementation of agreements between persons engaged in analogous entrepreneurial activity with regard to prices, sharing of markets,

elimination of other entrepreneurs from those markets or other conditions which substantially restrict competition;

- performance of dishonest actions aimed at harming the legitimate interests of a person conducting analogous entrepreneurial activity or consumers (unscrupulous competition), specifically through deception of consumers regarding the manufacture, purpose, means and place of manufacture, quality and other characteristics of a product produced by another entrepreneur, or through incorrect comparisons between goods in advertising and other information, copying of the external appearance of another's product and other means.

Measures to combat unscrupulous competition are to be established by legislative acts.

#### Article 6: Protection of Civil Rights

1. Protection of civil rights is carried out by a court or by an arbitration court, commercial court, etc. (henceforth to be referred to as an "arbitration court") or, with the consent of both parties, by an arbitration tribunal by means of: recognition of rights; restoration of the situation existing prior to violation of a right and termination of activities which violate a right or constitute a threat of violation; sentences requiring the performance of obligations in kind; compensation for damages and levying of fines; termination or alteration of a legal relationship; recognition of a standardizing act passed by an organ of state administration or local organs of state authority as not in accordance with corresponding legislation; and other means stipulated by legislative acts.

In cases specially stipulated by legislative acts protection of civil rights is carried out on an administrative basis.

2. A person whose right has been violated may demand full compensation for losses incurred by that person, unless otherwise stipulated by legislative acts or contract.

Damages include expenditures made by the person whose right was violated, losses or damages to that person's property (real damages), as well as lost earnings which the person would have received under ordinary circumstances if the right in question had not been violated (lost benefit).

3. Parties to civil legal relations are assumed to be acting in good faith unless the contrary is proven.

4. If the commencement of legal consequences stemming from a violation depends upon guilt on the part of the violator, the violator's guilt is assumed unless the contrary is proven, except in cases otherwise stipulated by legislative acts.

#### Article 7: Protection of Honor, Dignity and Business Reputation

1. A citizen or corporate body has a right to demand in court a retraction of information which infringes upon

honor, dignity or business reputation, if the person who disseminates such information is unable to prove that it is factual in nature.

2. If information which infringes upon the honor, dignity or business reputation of a citizen or corporate body is disseminated via the mass media it should be retracted in the same mass media outlet.

In the event that the aforementioned information is contained in a document issued by an organization, said document must be replaced or withdrawn.

Procedures governing retractions under other circumstances are to be established by a court.

3. A citizen or corporate body regarding whom the mass media have published false information which infringes upon that body's rights and legitimate interests has a right to publish a rebuttal in the same mass media outlet.

4. A demand by a citizen or corporate body regarding publication of a rebuttal or a reply in a mass media outlet is to be considered by a court in the event that the mass media organ refuses to perform such publication or does not do so within one month's time.

5. If the decision of the court is not carried out the court has a right to levy a fine on the violator, this fine to be counted as budget revenue. Fines are levied according to procedures and in amounts established by civil procedural legislation. Payment of a fine does not exempt the violator of the obligation to perform the action stipulated by the court's decision.

6. A citizen or corporate body regarding whom information which infringes upon honor, dignity or business reputation has a right, in addition to refutation of such information, to claim compensation for real damages and moral damages incurred through dissemination of such information.

7. If it is impossible to determine the identity of the individual disseminating information which infringes upon the honor, dignity or business reputation of a citizen or corporate body, then the person concerning whom the information has been disseminated has a right to ask the court to declare the information in question is untrue.

#### **Article 8: Application of One Republic's Civil Legislation in Another Republic**

The civil legislation of one republic may be applied in the territory of another republic according to the following rules, unless other rules have been established by USSR legislative acts:

1. The competence of a person is determined by the laws of the republic of which that person is a physical body.

The competence of a person to conduct transactions and in regard to obligations which arise as a result of damages caused is determined by the legislation of the place

where the transaction occurred or the damage was done, as appropriate (see point 8 of the present article);

The legal capacity of corporate bodies is determined by the legislation of the republic within whose territory the corporate body was established;

2. the legislation of the republic within whose territory the action or other circumstance which served as the basis for a demand that personal non-property rights be protected occurred, or the legislation of the republic where the injured party holds permanent residence, is applicable to personal non-property rights;

3. relations stemming from the right to ownership will invoke the legislation of the place where the property in question is located. The right to own means of transportation subject to state registration is to be defined by legislation existing at the place of registration;

4. the origination and termination of the right to ownership or any other material right to property is determined by the legislation of the republic within whose territory the property is located at the moment that an action or other circumstances which served as the basis for the origination or termination of the right in question occurred.

The origination and termination of the right to ownership or other material right to property which is the object of a transaction are to be determined by the legislation of the place where the transaction is concluded, unless otherwise stipulated by an agreement between the contracting parties;

5. the form of a transaction is to be determined by the legislation of the place where it takes place; the form of transactions involving buildings and other real property and rights to such property is to be determined by the legislation of the place where the property is located;

6. the form and length of validity of a power of attorney are to be determined by the legislation of the republic within whose territory the power of attorney is issued;

7. the rights and obligations of the parties to a transaction are to be determined by the legislation of the place where the transaction occurs, unless otherwise stipulated by the parties to the transaction;

8. the rights and obligations of parties to obligations which arise as a result of damages are to be determined by the legislation of the republic where the action or other circumstance which served as a basis for a demand for compensation occurred. However, that legislation will not be applied if the action or other circumstance which served as the basis for a demand for compensation is not illegal under the laws of the place where the dispute is being heard;

9. relations involving inheritance are to be determined based on the legislation of the republic within whose territory the will is read;

inheritance of buildings and other real estate is governed by the legislation of the republic within whose territory the property in question lies;

the capacity of a person to compose or revoke a will, as well as the form of the will and the act of its revocation, are governed by the legislation of the republic where the testator held permanent residence at the time the will was drawn up. However, a will or its revocation cannot be judged invalid as a result of failure to comply with a certain form, if the latter satisfies the legal requirements of the place where the will was drawn up or the laws of the place where a dispute is being heard;

10. matters pertaining to statutes of limitation on suits are to be resolved in accordance with the legislative acts of the republic whose legislation regulates the relationship in question.

## **Chapter 2: Subjects of Civil Rights**

### **Article 9: Legal Capacity and Competence of a Citizen**

1. The ability to possess civil rights and obligations (civil legal capacity) is recognized equally in regard to all citizens. A citizen's legal capacity originates at the moment of his or her birth and terminates at the time of death.

2. A citizen may: possess property based on the right to ownership; inherit property; engage in entrepreneurial activity or any other activity not forbidden by legislative acts; establish corporate bodies either independently or in conjunction with other citizens and organizations; conduct any transactions which are not forbidden by law, and participate in obligations; select his or her place of residence; possess rights as the author of an invention, a work of science, literature or the arts or any other fruits of intellectual activity; possess other property rights and personal non-property rights.

Citizens of one republic living on the territory of another republic enjoy the same legal capacities as citizens of that republic.

3. The ability of a citizen through his or her actions to acquire civil rights and create civil obligations for himself or herself (civil competence) originates fully with the onset of legal adulthood, i.e. at the age of 18. In cases where republic legislative acts permit a citizen to marry before the age of 18 a citizen who has not attained the age of 18 acquires full legal competence at the time of marriage.

The extent of competence of underage citizens is to be determined by the legislative acts of the republics.

4. No one may be restricted in legal capacity or competence except in cases and according to procedures stipulated by legislative acts.

Acts by organs of state administration and local organs of state authority intended to restrict the legal capacity

or competence of citizens, as well as transactions with the same intent, are not legally valid.

### **Article 10: Declaration of Citizens Missing or Legally Dead**

1. A citizen may be declared legally missing by a court if no information is received at his or her place of permanent residence regarding his or her whereabouts for a period of one year.

2. A citizen may be declared legally dead by a court if no information is received at his or her place of permanent residence regarding his or her whereabouts for a period of three years, or if the citizen has disappeared under life-threatening circumstances which give reason to suppose that he or she has died of accidental causes and has remained missing for six months.

A military serviceman or other citizen missing as a result of military operations may be declared legally dead by a court no sooner than two years following conclusion of the military operations in question.

3. The consequences of declaring a citizen legally missing, as well as appearance of or discovery of the whereabouts of a citizen declared legally missing or legally dead are to be determined by republic legislative acts.

### **Article 11: Definition of a Corporate Body**

1. A corporate body is defined as an organization which possesses separate property on the basis of ownership, full commercial management or operational management, by the nature of its duties is responsible for that property and appears before a court, arbitration court or arbitration tribunal under its own name.

Corporate bodies may possess property rights and obligations and personal non-property rights and obligations.

Corporate bodies which constitute commercial organizations (see Article 18 of the present Fundamentals) should have separate budgets.

2. In regard to the separate property of a corporate body that body's founders (or participants) may retain obligatory or material rights.

Corporate bodies over whose property their participants retain obligatory rights are: commercial societies and partnerships; production and consumer cooperatives; lease enterprises; collective enterprises; commercial associations of corporate bodies (commercial organizations).

Corporate bodies over whose property their founders retain the right to ownership or another material right are: state and other enterprises founded on the basis of full commercial management, including subsidiary enterprises, as well as institutions financed by the property owner.

Corporate bodies over whose property the founders (or participants) do not retain property rights are: public organizations; religious organizations; charitable and other funds.

#### **Article 12: Legal Capacity of a Corporate Body**

1. A corporate body may possess rights corresponding to the purposes set forth in its founding documents and bears obligations connected with those purposes. It has a right to conduct any type of activity which is not in violation of the aforementioned purposes or the stipulations of legislative acts.

Certain types of activities, a list of which is to be established by legislative acts, may be engaged in by a corporate body only with special permission (licensing).

2. A corporate body may be restricted in its rights solely in such cases and according to such procedures as are stipulated in legislative acts. A decision restricting rights may be appealed by a corporate body in a court of law or commercial court.

#### **Article 13: Formation and Founding Documents of a Corporate Body**

1. The founders of a corporate body may be the owners of its property or organs or individuals appointed by them, or in cases specially provided for in legislative acts other organizations and citizens.

2. A corporate body operates on the basis of a charter, or a founding contract and a charter, or a founding contract alone. In cases for which provision is made in legislative acts a corporate body may operate on the basis of a general statute concerning organizations of a certain type.

The founding contract of a corporate body is concluded by, and its charter is approved by, the corporate body's founder (or participants).

The founding documents of a corporate body should specify the name of the corporate body, its location, its purposes and the composition and powers of the corporate body's organs, and should also contain other information stipulated by legislation governing the type of corporate body in question.

In a founding contract the parties (founders) are obligated to create a corporate body, define the procedures for their joint activity in its creation, the conditions for transferring their assets to its ownership, and their participation in its activities. The contract also specifies the conditions and procedures for the distribution of profits and losses among the founders, the management of the corporate body's activities, and the withdrawal of founders from its charter if that is necessary for a given type of corporate body.

3. A corporate body is subject to state registration with justice organs according to procedures established by legislative acts. Data from this state registration,

including the firm's name, if one exists (see Article 149 of the present Fundamentals) are to be entered in a general state register of corporate bodies which will be part of the public record.

Violations of legally established procedures governing the formation of a corporate body or noncompliance of its founding documents with legislation will result in refusal to register the corporate body. Refusal to register on account of the inappropriateness of establishing such a corporate body is not permitted.

Refusal to grant state registration may be appealed in a court of law or an arbitration court.

A corporate body is regarded as established from the moment of its registration with the state.

#### **Article 14: The Organs of a Corporate Body**

A corporate body acquires civil rights and accepts civil obligations through its organs, which function in accordance with legislation or its founding documents.

Procedures for the appointment or election of a corporate body's organs are to be determined by legislation or by its founding documents.

#### **Article 15: Responsibility of a Corporate Body**

1. A corporate body is responsible for its obligations to the full extent of the property in its possession.

A corporate body which is financed by an owner and possesses property based on the right of operational management (founding) is responsible for its obligations to the extent of the money in its possession. If that money is insufficient to fulfill the corporate body's obligations responsibility is borne by the property owner.

2. The founder of a corporate body or the owner of its property is not responsible for its obligations, and a corporate body is not responsible for the obligations of the owner or founder, with the exception of cases stipulated by legislative acts or the corporate body's founding documents.

3. If the bankruptcy (insolvency) of a corporate body is caused by illegal actions by the owner of its property, then the property owner is responsible for the corporate body's obligations if the latter has insufficient means to satisfy creditors' demands.

#### **Article 16: Reorganization of a Corporate Body**

Reorganization of a corporate body (merger, takeover, division, separation or transformation) is carried out by decision of the owner of its property or an organ authorized by the owner, or by decision of an organ so empowered by the corporate body's founding documents. Legislation concerning individual types of corporate bodies may also state other grounds for reorganization.

**Article 17: Liquidation of a Corporate Body****1. A corporate body may be liquidated:**

- by decision of the owner or the owner's authorized organ, or by decision of an organ so empowered by the corporate body's founding documents;
- by order of a court or arbitration court in the event of bankruptcy (insolvency) or in the event of systematic activities which are not in accordance with the corporate body's purposes or for which the necessary permission (license) has not been obtained, or which are forbidden by legislative acts, or as a result of flagrant and repeated violation of legislation;
- upon termination of the period of time for which the corporate body was created, or upon attainment of the goals for the purpose of which it was established.

**2. Liquidation of a corporate body is carried out by a liquidation commission appointed by the organ which ordered liquidation.**

During the liquidation of a corporate body accounts with creditors are settled in the following order:

- periodic payments payable by the corporate body in connection with liability for damages to citizens' life or health are capitalized;
- salary accounts are settled with individuals working under labor contracts;
- payments are made to budgets and for the purposes of social insurance and social security;
- accounts are settled with other creditors in accordance with legislative acts.

If the corporate body does not possess an adequate amount of property, then its property is divided among creditors in order and proportionally to the amounts of claims subject to payment.

If the corporate body's monetary funds are insufficient to meet creditors' demand the liquidation commission may sell the corporate body's property.

Property which remains after all claims have been settled is turned over to the owner or the founders (participants) who have material or obligatory rights in regard to said property. If no such persons exist, then the remaining property is applied to purposes specified in the founding documents.

**3. Liquidation of a corporate body is considered complete and the corporate body is considered to have ceased to exist following the entering of a notation to this effect in the state register of corporate bodies.****Article 18: Commercial and Non-Commercial Organizations****1. Corporate bodies may be organizations which strive to obtain profits as the primary goal of their operations**

(commercial organizations) or which do not have the making of profit as one of their goals (non-commercial organizations).

**2. Corporate bodies which are commercial organizations may be established in the form of business societies and partnerships; production cooperatives; lease enterprises; collective enterprises; state and other enterprises established on the basis of full commercial management using property transferred to them by their founders; and also commercial associations of the aforementioned corporate bodies.****3. Corporate bodies which are non-commercial organizations may be established in the form of public or religious organizations; consumer cooperatives; charitable and other funds; institutions financed by a property owner; and other forms provided for in legislative acts.**

Non-commercial organizations may engage in commercial activity only to the extent necessary to ensure performance of their charter-mandated tasks.

**Article 19: Business Societies and Partnerships****1. Business societies and partnerships include: full partnerships; limited partnerships; societies with limited or supplementary responsibility; and stock companies.****2. A full partnership is a partnership, the participants in which engage in commercial activity on behalf of the partnership on the basis of a contract between them; in the event of insufficient funds in the partnership the participants bear joint responsibility for its obligations to the full extent of property owned by them.****3. Limited partnerships are partnerships which in addition to one or more participants who engage in commercial activity on behalf of the partnership and bear responsibility for its obligations to the full extent of property owned by them (full partners) also have one or more participants (limited partners or investors) who suffer losses in connection with the partnership's activities only to the extent of their investments in the partnership.****4. A society with limited responsibility is a partnership, the charter fund of which is divided into shares, the size of which is determined by the founding documents. Participants in the society suffer losses connected with the partnership's activities only to the extent of the sums invested by them.****5. A society with supplementary responsibility is a partnership whose charter fund is divided into shares, the size of which is determined by the founding documents. In the event of insufficient property in the partnership the participants therein are responsible for its obligations with their own property in a multiple of the sum of their investments in the partnership which is the same for all participants.****6. A stock company is a partnership whose charter fund is divided into a certain number of stock shares of an**



equal face value; this partnership is responsible for obligations only to the extent of its property. Participants in a stock company (shareholders) suffer losses resulting from the partnership's activities in relation to the number of shares held by them.

7. The legal status of the various types of business societies and partnerships is determined by legislative acts regarding business societies and partnerships.

#### **Article 20: Production Cooperatives**

1. A production cooperative is a voluntary membership association of citizens created for the purpose of joint conducting of entrepreneurial activity through pooling of participants' property and personal labor contribution. All property owned by a production cooperative is divided into shares held by members of the cooperative in accordance with its charter.

2. In the event of insufficient property in a production cooperative its members bear supplementary (subsidiary) responsibility to the extent of property belonging to them for the cooperative's obligations in an amount stipulated by the cooperative's charter, but not less than the amount established by legislative acts.

3. The legal status of individual types of production cooperatives is determined by legislative acts regarding cooperatives.

#### **Article 21: Lease Enterprises and Collective Enterprises**

1. A lease enterprise is an enterprise which conducts commercial activity using a leased property complex. Property owned by a lease enterprise is divided up according to procedures set forth in its charter into shares held by all of its employees.

2. A collective enterprise is an enterprise which conducts commercial activity using property which it owns and which is divided according to procedures set forth in its charter into shares held by all of its employees.

3. The legal status of lease and collective enterprises is determined by legislative acts.

#### **Article 22: State Enterprises and Other Enterprises Founded on the Right of Full Commercial Management**

1. An enterprise founded on the right of full commercial management is one whose property belongs to another individual or state and has been placed under the control of that enterprise in accordance with Article 47 of the present Fundamentals for the purpose of conducting independent commercial activity. Shares held by its employees may be included in the property of such an enterprise.

The legal status of enterprises founded on the right of full commercial management is determined by legislative acts regarding enterprises. The company name of such an enterprise must include an indication of the owner of its property.

2. A subsidiary enterprise is one which is established as a corporate body by another enterprise through the transfer to it of a portion of its property on the basis of full commercial management.

The founder approves the charter of the subsidiary enterprise, appoints its director and exercises other ownership rights with regard to the subsidiary enterprise as stipulated by legislative acts regarding enterprises.

A subsidiary enterprise should be listed in the charter of the enterprise which established it.

3. The founder is not responsible for the debts of the subsidiary enterprise, except in cases specified in Article 15, Point 3 of the present Fundamentals. Claims against property belonging to the founder which has been transferred to a subsidiary enterprise is permitted only upon liquidation of the subsidiary enterprise and after the demands of its creditors have been met.

#### **Article 23: Commercial Associations**

1. A commercial association [obyedinyeniye] is a voluntary association of corporate bodies—business societies and partnerships, production cooperatives and state, lease, collective and other enterprises—established by them by sector, region or other dividing principle in order to coordinate operations, ensure protection for members' rights and represent common interests before state organs and other organs, as well as in international organizations. With the consent of its members the association may be authorized to perform production-related, commercial and other functions in a centralized manner. Members of the association retain their independence and rights as corporate bodies.

2. Commercial associations may be established by their members in the form of business associations [assotsiyatsii] (leagues) and concerns.

3. The legal status of individual types of commercial association is determined by legislative acts.

#### **Article 24: Branches and Representations**

1. A branch is a separate subunit of a corporate body which is located outside the place where the corporate body is located and which performs all or part of its functions.

A representation is a separate subunit of a corporate body which is located outside the place where the corporate body is located and carries out protection and representation of the corporate body's interests, conducting transactions and other legal actions on the corporate body's behalf.

Branches and representations must be listed in the charter of a corporate body.

2. Branches and representations are not corporate bodies. Property is allocated to them by the corporate

body which founded them, and they operate on the basis of a statute approved by that body.

The administrators of branches and representations are appointed by the corporate body and operate on the basis of authorization granted to them.

#### **Article 25: Participation by the State in Civil Legal Relations**

1. The state participates in relations regulated by civil legislation on a par with the other participants in those relations.

2. Organs for the management of state property, financial organs and other specially authorized organs of the USSR or the republics may participate on behalf of the USSR or a republic in relations regulated by civil legislation.

3. The state is required to use state treasury funds to cover its civil legal obligations with regard to property owned by the state.

4. The special characteristics of the state's responsibility in relations regulated by civil legislation involving foreign corporate bodies, citizens and states are to be determined by the USSR Law on Immunity of the State and State Property.

5. Statements contained in the present article regarding participation by the state or its organs in relations regulated by civil legislation are applicable as appropriate to autonomous formations, administrative-territorial formations and their duly authorized organs. Autonomous formations and administrative-territorial formations are responsible for their obligations to the extent of the property in their possession which has not been transferred to corporate bodies for the purpose of full commercial management or operational management.

### **Chapter 3: Transactions**

#### **Article 26: Definition and Types of Transactions**

Transactions are defined as actions by citizens and corporate bodies intended to establish, alter or terminate civil rights and obligations.

Transactions may be unilateral, bilateral or multilateral (contracts).

#### **Article 27: The Form of Transactions**

1. A transaction for which the law has not established a written (simple or notarial) or other specific form may be concluded orally. Such a transaction is considered complete if the behavior of a person indicates that person's willingness to conclude said transaction.

2. Silence is recognized as assent to a transaction in certain cases defined by law.

#### **Article 28: Performance of Transactions by a Representative**

1. A transaction on behalf of and in the interests of one person (the represented) may be performed by another person (the representative) on the basis of authorization expressed in a proxy statement, administrative act or legislation, or implicit in the situation in which the representative acts. Rights and obligations which arise in connection with a transaction performed by a representative fall directly upon the represented.

2. A representative may not perform a transaction which by its nature may be performed only in person, or other transactions in cases stipulated by legislative acts.

3. A representative may not perform transactions on behalf of the represented which pertain to the former personally, nor which pertain to another individual whom he or she also represents.

4. A transaction performed on behalf of another individual by a person who is not authorized to perform said transaction, or in excess of authorization, creates, alters or terminates the civil rights of the represented only in the event that the represented consented to the transaction. *Ex post facto* approval of the transaction makes it valid from the moment it was performed.

#### **Article 29: Market Transactions**

1. Agreement regarding the mutual transfer of rights and obligations with regard to property (goods, securities, etc.) which is permissible for circulation on a financial market are concluded between members of the market at a meeting of the market according to procedures established by legislation on commodity and funds markets and market charters (market transactions).

Market transactions may be made by brokers' notes. Transactions are subject to registration on the market.

2. Regulations governing the appropriate type of contract (reselling, commission, etc.) are applicable to market transactions regardless of their nature, unless otherwise required by legislation, an agreement between the parties or the nature of the transaction.

Legislation or market charters may make provision for the terms of market transactions which constitute a commercial secret of the parties involved and are not subject to disclosure without their consent.

3. Disputes arising from the performance of market transactions are to be heard by the market arbitration board of the financial market in question; the decision of that board may be appealed in court or before an arbitration court.

#### **Article 30: Invalid Transactions and the Consequences of Their Invalidity**

1. A transaction which does not comply with the stipulations of legislative acts is invalid.

2. Failure to comply with the form required by law will invalidate a transaction only if this consequence is plainly stipulated by law. Failure to comply with proper forms in foreign trade transactions and procedures for the signing of those forms will result in invalidation of such transactions.

3. If a transaction become invalid each party is required to return to the other party all that was received from the transaction; if it is impossible to return what was received in kind, then compensation for its value is to be made in money, unless other consequences of invalidation of the transaction are prescribed by legislative acts.

4. General requirements pertaining to the participants in a transaction, the means of expressing their intentions, the nature of their intentions and other circumstances are defined by republic legislation, which also establishes the grounds for and consequences of invalidation of a transaction.

#### **Chapter 4: Securities**

##### **Article 31: Definition of Securities**

1. A security is defined as a document which attests to a property right which can be exercised solely upon presentation of that genuine document.

The right attested to by a security may be transferred to another person solely by transfer of the security itself.

Securities include bonds, stocks, checks, promissory notes, bills of lading, savings certificates and other documents issued as securities in accordance with legislation.

2. Securities may be made out to the bearer, to order or to a specific name.

A security for presentation may be transferred to another individual by handing it over, and a security to order may be transferred by a signature attesting to the transfer. A security made out to a specific name may be transferred according to procedures established for renunciation of a claim, unless otherwise stipulated by legislation.

3. A security should contain the essential elements prescribed by law. The absence of those essential elements invalidates the security.

##### **Article 32: Conditions for Performance of Obligations Expressed in a Security**

1. Refusal to perform obligations expressed in a security based on the alleged groundlessness of an obligation or its lack of validity is not permitted.

A bearer who discovers that a security has been altered or is a facsimile has a right to return the security to the person who transferred it to the bearer and demand appropriate performance of the obligations expressed in the security, as well as compensation for losses.

2. Refusal to perform the obligations expressed in a security is possible if it can be proven that the security was improperly obtained by its bearer.

##### **Article 33: Bonds**

A bond is defined as a security which attests to its bearer's right to receive from the issuer of the bond after a period of time noted on the bond its face value or other property equivalent. A bond also gives its bearer the right to receive a percentage of the face value noted on the bond or other property rights.

Bonds may be payable to the bearer or to a specific individual, freely circulating or for limited circulation.

##### **Article 34: Checks**

A check is defined as a security which contains an unconditional written instruction from the check's issuer to a bank to pay the bearer of the check the sum indicated therein.

A check should be presented for payment within a period of time established by law.

##### **Article 35: Promissory Notes**

A promissory note is defined as a security which attests to an unconditional obligation on the part of the issuer (simple promissory note) or other payer indicated in the promissory note (transferrable promissory note) to pay a certain sum indicated in the promissory note to the bearer (holder of the promissory note) on a specific date.

##### **Article 36: Stocks**

1. A stock is defined as a security which attests to the right of its bearer (the stockholder) to receive a portion of the profits from a stock company in the form of dividends, to participate in the management of the stock company's affairs and to receive a portion of the stock company's remaining property following its liquidation.

Stocks may be payable either to the bearer or to a specific individual, and may be freely circulating or for limited circulation.

2. A stock company has the right to issue privileged shares in quantities established by legislation; these stocks guarantee that the bearer will receive dividends at a fixed percentage of the stock's face value regardless of the results of the stock company's commercial activities, and also gives the bearer a priority right over other shareholders to receive a portion of the stock company's property which remains following liquidation of the stock company.

Privileged shares do not give their bearers a right to participate in management of the stock company's affairs, unless otherwise stipulated by the company charter.

**Article 37: Bills of Lading**

A bill of lading is defined as an expediting document which attests to the right of its bearer to control the freight listed in the bill of lading and to receive this freight upon delivery.

A bill of lading may be issued to the bearer, to order or to a specific individual.

When several original copies of a bill of lading are created presentation of one copy to claim the freight listed therein cancels the validity of all the remaining copies.

**Article 38: Savings Certificates**

A savings certificate is defined as a written bank statement regarding a deposit of money; this statement gives the depositor a right to receive the sum of the deposit and interest on it at any branch of that bank upon expiration of a specified term.

In the event of early withdrawal the sum of the deposit will be paid out, plus interest on the deposit calculated at a reduced rate.

Savings certificates may be payable to the bearer or to a specific individual.

**Chapter 5: Calculation of Terms; Statute of Limitation on Suits****Article 39: Definition of a Term**

A term as established by legislation or in a transaction or decreed by a court, arbitration court or arbitration tribunal is defined as a calendar date or the end of a period of time which is calculated in years, months, weeks, days or hours.

A term may also be measured by reference to an event which must inevitably occur.

**Article 40: Beginning and Expiration of a Term**

1. A term defined as a period of time begins on the day following the calendar date or event which marks its beginning.

2. If the end of a term falls in a month which has no date corresponding to its beginning, then the term expires on the last day of the month.

**Article 41: Procedures for Completing Actions on the Final Day of a Term**

1. If a term has been established for the completion of some action, that action may be performed until midnight on the expiration date of the term.

However, if the action is supposed to be performed at an organization, then the term expires at the time when that organization terminates the operations in question according to its established regulations.

2. All written statements and notices mailed, telegraphed or transmitted by other means of communication before midnight on the expiration date of the term are regarded as having been made within the term.

**Article 42: Statute of Limitation on Suits**

1. The general time limit on filing suits in defense of the rights of a person whose rights have been violated (statute of limitation on suits) is three years.

2. More restrictive statutes of limitations may be established by USSR legislative acts for certain types of claims stemming from relations, regulation of which falls under USSR jurisdiction, and by republic legislative acts for other claims.

3. The statute of limitation on suits is reckoned from the moment of origination of the right to sue. The right to sue originates on the day that the individual discovered or should have discovered a violation of his or her right. Exceptions to this rule may be established by legislative acts.

With regard to obligations which have a specified term of execution the statute of limitation on suits is reckoned from the beginning of the term of execution. For obligations the term of execution of which is not specified, the statute of limitation on suits is reckoned from the moment a demand for performance of the obligation is made.

With regard to regressive obligations the statute of limitation on suits is reckoned from the moment when the principal obligation is performed.

4. Grounds for the suspension or interruption of statutes of limitation on suits may be defined by legislative acts.

**Article 43: Application of the Statute of Limitation on Suits**

1. The statute of limitation on suits is applied by a court, arbitration court or arbitration tribunal solely at the request of one party in a dispute.

If a court, arbitration court or arbitration tribunal acknowledges the validity of grounds for exceeding the statute of limitation on suits, the right which was violated remains subject to protection.

2. The statute of limitation on suits does not extend:

—to claims stemming from violation of personal non-property rights, except in cases stipulated by legislative acts;

—to claims against banks by depositors regarding withdrawal of deposits;

—to claims to compensation for damages caused to the life or health of citizens (see Article 130 of the present

Fundamentals). However, claims made after expiration of the statute of limitation on suits will not be settled except for the three years preceding the filing of suit;

—to other claims, in cases stipulated by legislative acts.

## **Section II: The Right to Ownership and Other Material Rights**

### **Chapter 6: General Principles**

#### **Article 44: Subjects of the Right to Ownership**

1. Property may be owned by citizens, corporate bodies or the state.

The rules in the present Fundamentals regarding state property are to be applied as appropriate to the property of autonomous formations and administrative-territorial formations, unless otherwise stipulated by legislative acts.

2. Special legal conditions governing property depending upon whether it is owned by a citizen, a corporate body or the state, including restrictions on the range of objects of the right to ownership, may be established only in cases stipulated by legislative acts.

The rights of all property owners receive equal protection.

#### **Article 45: Rights and Obligations of a Property Owner**

1. A property owner possesses the right to own, use and dispose of his property. A property owner may at his own discretion use his property for entrepreneurial activity or any other activities not forbidden by legislative acts. The property owner has a right to perform any actions in regard to his property which are not contrary to law, including transferring authorization to own, use or dispose of the property to other persons, using it as collateral or otherwise encumbering it, turning it over to management by others, selling it or disposing of it in any other manner.

2. A property owner bears the burden of maintaining the property belonging to him and the risk of its accidental loss, unless otherwise stipulated by legislative acts or a contract between the property owner and another person.

3. A property owner is obligated to take steps to prevent harm to the health of citizens and the environment which could result from the exercise of his rights. The property owner should refrain from behavior which would disturb his neighbors or other persons.

4. In certain cases, circumstances and limits defined by legislative acts a property owner is obligated to permit limited use of his property by other persons.

#### **Article 46: Common Property**

1. Property may be owned in common by two or more owners, with each holding a specified share of the right to property (shared property) and in certain cases defined by legislative acts may be owned without specified proportions of ownership (joint property).

2. The possession, use or disposition of common shared property is carried out on the basis of an agreement between all participants or, if an agreement is not reached, according to procedures set forth by a court, arbitration court or arbitration tribunal at the request of any one of the participants.

3. A participant in common shared property ownership has the right to withdraw his share, and a participant in common joint property has the right to define and withdraw his share. The right to demand withdrawal of a share also belongs to the creditor of a participant in common property ownership. Procedures for defining and withdrawing a share are to be established by legislative acts.

4. When a share of common property is sold to an outside individual the remaining participants in the common shared property arrangement have the first option to buy the share being sold at its selling price and on a par with others, except in the event that the share is being sold at public auction.

#### **Article 47: The Right to Full Commercial Management**

1. An enterprise to which property has been transferred by the owner of said property on the basis of a right to full commercial management constitutes a corporate body and has owner's rights and obligations with regard to that property, unless otherwise stipulated by legislative acts.

2. The property owner or other persons authorized by the property owner may in accordance with legislation and the enterprise's founding documents establish an enterprise and define its purposes, carry out reorganization of it or liquidate it, monitor the effectiveness with which property transferred to the enterprise is being utilized and maintained, and exercise other rights stipulated by legislative acts regarding enterprises.

3. A property owner has a right to a portion of the profits from use of the property of an enterprise established by him.

#### **Article 48: The Right to Operational Management**

1. An institution financed with a property owner's funds may have property transferred to it based on the right to operational management. Such an institution constitutes a corporate body and within bounds established by legislative acts and in accordance with its own purposes, the instructions of the property owner and the purpose of the property exercises a right to possess, use and dispose of said property.

The owner of property transferred to an institution has a right to repossess that property or redistribute it between other corporate bodies established by him at his discretion and in accordance with legislation.

2. Institutions carrying on commercial activity permitted them by the property owner have a right to independently dispose of income acquired through that activity and to acquire property with that income. This income and property belong to the institution on the basis of a right to full commercial management.

#### **Article 49: Rights to Parcels of Land and Other Natural Objects**

1. Parcels of land may be granted to citizens as lifelong bequeathable possessions, or for use for purposes of agricultural production, including use as a private farm plot or orchard, or for the erection and use of domiciles and other structures based on the right to ownership, and also to fulfill other needs specified by legislative acts.

Republic legislative acts may make provision for the granting of parcels of land to citizens as property.

2. Parcels of land and other natural objects may be granted to corporate bodies for their possession or use.

3. The conditions and procedures governing the granting of parcels of land and other natural objects, as well as the rights and obligations of the persons to whom they are granted, are to be defined by legislation on the use and protection of natural resources.

#### **Article 50: Acquisition of the Right to Ownership**

1. A property owner owns the results of commercial or other use of his or her property, including produce, fruits and other income, unless otherwise stipulated by legislative acts or a contract between the property owner and another person.

2. The right to ownership of a person receiving property on the basis of a contract originates at the moment when the property is transferred, unless otherwise stipulated by law or contract.

Transfer is defined as the giving of items to a receiver, as well as the turning over of items to a transportation organization for shipment to a receiver or mailing to a receiver of items alienated without obligation of delivery. The turning over of a bill of lading or other expediting document also constitutes a form of transfer.

If a contract regarding alienation of property is subject to state registration or notarization, the receiver's property right originates at the moment the contract is registered and approved, or if it is necessary to receive notarization and state registration at the moment of the contract's registration.

3. A citizen or corporate body that is not a property owner yet has in good faith, openly and continuously possessed real estate as owner for a period of not less

than 15 years or other property for a period of not less than five years acquires an ownership right to the property (acquisition prescription).

Prior to acquisition of the right to ownership of property a citizen or corporate body which possesses the property as its own has a right to defend that possession against third parties which are not owners of the property or who do not have a right to possess it as a result of some other grounds stipulated in legislative acts or by contract.

#### **Article 51: Citizens' Property Rights**

1. A citizen may own the following on the basis of property rights:

—houses, apartments, dachas, garden houses, garages, household items and personal-use items;

—money, shares of stock, bonds and other securities;

—enterprises and property complexes in the realm of goods production, consumer services, buildings, facilities, equipment, vehicles and other means of production;

—any other property used for consumption or production purposes, except for certain types of property which in accordance with legislative acts may not belong to citizens.

There is no restriction on the composition, quantity or value of property which may be acquired by a citizen by legal means.

2. A member of a housing, housing construction, dacha or garage cooperative, gardening association or other cooperative who has paid in full his or her contribution for an apartment, dacha, garden house, garage or other premises or structure granted to that person for use acquires property rights to that property.

3. A housing tenant in a building belonging to the state or public housing and members of the tenant's family have a right to acquire their apartment or house as private property through purchase or on other grounds provided for by legislation.

4. A citizen is liable in terms of his or her obligations for property belonging to him or her on the basis of property rights.

A list of citizens' property which may be the subject of creditors' claims is to be established by republic legislative acts.

#### **Article 52: Corporate Bodies' Property Rights**

Business societies and partnerships, cooperatives, lease and collective enterprises, commercial associations, public and religious organizations and charitable and other funds which constitute corporate bodies are in accordance with their charters owners of property transferred to them by their founder (participants, members)

as well as property obtained through their own entrepreneurial activities and by other means not in violation of the law.

#### **Article 53: The State's Property Rights**

1. The state may own any property required for the performance of its functions.

2. Property owned by the state may be transferred to state corporate bodies on the basis of full commercial management or operational management.

State budget funds and other property which is not transferred to state enterprises and institutions constitutes the USSR and republic state treasuries.

3. State property is created out of revenues received by the appropriate budget from taxes and other mandatory payments, a portion of payments made for the use of land and other natural resources, a portion of the profits from state enterprises, income from the issuing of securities and dividends on securities, and other revenues from sources for which provision is made in legislative acts.

4. The USSR is not responsible for the obligations of the republics, autonomous formations or territorial administrative formations which comprise it, nor are republics, autonomous formations and territorial-administrative formations responsible for the obligations of the USSR or each other.

#### **Chapter 7: Protection for the Right to Ownership and Other Material Rights**

##### **Article 54: Basic Principles of Protection of the Right to Ownership**

1. A property owner has the right to reclaim his property from unlawful possession by another.

If the property was acquired for payment from a person who had no right to alienate it and the receiver was not aware of this and should not have been aware (a good-faith receiver), then the property owner has the right to reclaim his property from the receiver in the event that the property was lost by the property owner or a person into whose possession the property had been transferred, or else stolen from one or the other, or else removed from their possession by other means against their will. Money and bearer securities may not be reclaimed from a good-faith receiver.

2. A property owner may demand elimination of all violations of the property owner's rights, even if those violations do not involve deprivation of property.

3. The rights set forth in the present article also accrue to an individual who, though not the owner, possesses property based on a right to full commercial management, operational management, lifelong bequeathable possession or other basis stipulated by legislative acts or

contract. That individual also has a right to protect these possessions against the property owner.

##### **Article 55: Protection for a Property Owner's Interests In the Event of Termination of the Property's Owner's Rights by Legislation**

1. In the event that the USSR or a republic passes legislative acts which terminate a right to property the losses incurred by property owners as a result of the passage of those acts are to be reimbursed to the property owner in full at his or her request by the USSR or the appropriate republic. Disputes concerning compensation for losses are to be resolved in court.

2. Seizure of property from a property owner by the state is permitted only if a lien on this property in connection with the property owner's obligations is made under circumstances and procedures provided for in legislative acts, and also in cases of requisition or confiscation.

If an individual has by legal means become the owner of property which by dint of legislative acts may not belong to that individual, then that person's right to ownership will be terminated according to procedures established by republic legislative acts.

In the event of natural disasters, accidents, epidemics, epizooties and other circumstances of an extreme nature property may by decision of state organs of authority be seized from a property owner in the public interest and according to procedures and terms established by legislative acts, with payment made for the value of the property (i.e. requisition).

In cases provided for in legislative acts property may be seized from a property owner without compensation by order of a court, arbitration court or other authorized state organ (or official) as a sanction imposed for the commission of a crime or other violation of the law (i.e. confiscation).

3. Termination of a right to ownership in connection with a decision by a state organ which is not directly concerned with expropriation of property from a property owner, including a decision to expropriate a parcel of land upon which a house or other structures, facilities or plantings belonging to a property owner are located, is permitted only in cases and according to procedures defined by legislative acts; the property owner is to be given property of equal value and fully compensated for losses incurred as a result of termination of the right to ownership. If a property owner disagrees with a decision resulting in termination of a right to ownership that decision may not be implemented prior to resolution of the dispute by a court or arbitration court. All matters pertaining to losses incurred by the property owner should also be resolved in the course of the court's consideration of the case.

**Article 56: Invalidity of Acts Which Violate Property Owners' Rights**

If as a result of the promulgation of a legislative act by an organ of state administration or local organ of state authority the rights of an owner or other individuals to possess, use and dispose of property belonging to them are violated, then that act shall be declared invalid by a court or arbitration court upon petition by the property owner or other individual whose rights have been violated.

Damages incurred by the property owner as a result of promulgation of the aforementioned acts are subject to reimbursement by the appropriate organs of authority or administration.

**Section III: Obligatory Law****Chapter 8: General Principles Regarding Obligations****Article 57: Obligations and the Performance Thereof**

1. On the basis of an obligation one person (the debtor) is required to perform for the benefit of another person (the creditor) a specific action, e.g. transfer property, perform work, pay money, etc. or refrain from a specific action, and the creditor has the right to demand performance of the stipulated obligation by the debtor.

Obligations arise from contracts or on other grounds listed in Article 3 of the present Fundamentals.

2. Obligations should be performed in an appropriate manner within a specified time limit in accordance with the terms of a contract or the requirements of the law, or in the absence of such terms and requirements in accordance with customarily applied requirements.

Unilateral refusal to perform obligations and unilateral alteration of the terms of a contract are not permitted, with the exception of cases stipulated by contract or legislation.

**Article 58: Conclusion of Contracts**

1. A contract is regarded as concluded when agreement has been reached on all the essential terms of the contract by the contracting parties in the form appropriate to such cases. Essential terms are those terms of a contract which pertain to the subject of the contract, are recognized as such by law or which are essential to the contract in a given form, as well as all the terms in regard to which at least one of the parties to the contract has stipulated that agreement must be reached.

If legislative acts require a transfer of property to conclude a contract, then the contract is regarded as concluded from the moment when the contracting parties agree on essential terms and transfer the property in question.

2. If the parties have agreed to conclude a contract in a specific form it is regarded as concluded from the moment when it is given the form specified, even if that form is not required by law for the type of contract in question.

If under the law or by agreement between the parties a contract must be concluded in writing it may be concluded either by drawing up a single document to be signed by both parties, or by sending letters, teletype transmissions, telegrams, facsimiles, etc. signed by the party sending them.

3. A proposal to conclude a contract made to one or more specific individuals constitutes a proposal to conclude a contract (an offer) if it is sufficiently specific and expresses the intent of the individual making the proposal to consider himself bound by the agreement in the event that it is accepted. A proposal is sufficiently specific if it indicates substantive terms for a contract or procedures for determining them.

A proposal made to an indefinite number of individuals is considered an invitation to make an offer, unless otherwise indicated in the proposal.

4. When a proposal to conclude a contract is made with indication of a time limit for response, the contract is regarded as concluded if the person who made the proposal receives a response accepting the proposal within the specified time period.

5. When a proposal to conclude a contract has been made orally without indication of a deadline for response the contract is regarded as concluded when the person making the proposal has received an immediate statement from the other party accepting the proposal.

When such a proposal is made in written form the contract is regarded as concluded if a response has been received within the period of time normally required to do so.

6. If it is clear from a response on concluding a contract which was received late that the response was dispatched in a timely manner it will be regarded as late only in the event that the person making the proposal immediately informs the other party that the response has been received late. In that case the response which was received late is regarded as a new proposal to conclude a contract.

7. If one party receives an offer to conclude a contract on terms other than those proposed, then that party must inform the other party of the differences between the proposals in the period of time necessary to do so; if that party has received a written draft contract it should be returned with the points of difference indicated.

The parties to a contract may take steps to overcome disagreements which arise. If the party which sent the offer does not inform the other party of its consent to or



rejection of the terms proposed to it within a normal period of time, then the contract is not considered to have been concluded.

In cases stipulated by agreement between the parties or by law disputes arising between the parties during conclusion of a contract may be heard by a court, arbitration court or arbitration tribunal.

#### **Article 59: Interpretation of a Contract**

1. Interpretation of a contract by a court, arbitration court or arbitration tribunal takes into consideration the literal meaning of the expressions contained therein. If the literal meaning of some term in the contract is unclear the court determines its meaning by comparing the term in question with other terms and the meaning of the contract as a whole.

2. If the rules contained in point 1 of the present article do not make it possible to define the content of a contract, then the true intent of both sides should be clarified, with consideration given to the purpose of the contract. In the process attention should be given to all pertinent circumstances, including negotiations and correspondence preceding the contract, past experience with relations between the parties, customary business practices and the parties' subsequent behavior.

#### **Article 60: Preliminary Contracts**

1. In a preliminary contract the contracting parties obligate themselves at some point in the future to conclude a contract regarding transfer of goods, performance of work or rendering of services under terms outlined in the preliminary contract. Procedures for agreeing on the essential terms of future contracts not outlined in a preliminary contract, if such procedures are not set forth in legislation, are to be defined by the parties in the preliminary contract.

A preliminary contract must be concluded in writing.

2. If a party to a preliminary contract refuses to conclude the contract cited therein the other party has a right to sue before a court, arbitration court or arbitration tribunal and demand that the other party be compelled to conclude the contract in question. A party which has refused to conclude a contract as stipulated in a preliminary contract without proper justification must compensate the other party for losses caused by delay in concluding the aforementioned contract, unless otherwise stipulated by law.

#### **Article 61: Contracts for the Benefit of Third Parties**

Compliance with a contract for the benefit of a third party may be demanded either by the person who concluded the contract or by the third party for whose benefit compliance is intended, unless otherwise stipulated by law or contract or otherwise necessitated by the nature of the obligation.

In the event that a third party has renounced a right granted to that party by a contract the person who concluded that contract may exercise that right, unless to do so would be a violation of the law, a contract or the nature of the obligation.

#### **Article 62: Imposition of Requirement To Perform an Obligation on a Third Party**

1. Performance of an obligation stemming from a contract may be imposed in whole or in part on a third party if so stipulated by law or contract, or likewise if the third party is bound to one of the contracting parties by an appropriate contract.

2. If the law, a contract or the nature of an obligation does not create the requirement that the debtor perform the obligation in question personally, then the creditor is obligated to accept performance offered on behalf of the debtor by a third party.

3. In cases for which provision is made in the present article responsibility for failure to perform or for unsatisfactory performance of an obligation is borne by the contracting party from which the failure stems, unless the law requires that responsibility be borne directly by the person performing the obligation.

#### **Article 63: Time Limits on Performance of Obligations**

1. If the obligation stipulates or make possible the determination of a day for its performance or a period of time within which it must be performed, then the obligation is subject to performance on that day or, correspondingly, at any time within the limits of the allotted time period.

2. The debtor has a right to perform an obligation ahead of schedule if provision is made for this by law or contract or is inherent in the nature of the obligation or in customary business practices.

3. In cases in which the obligation does not stipulate or permit to be determined a time limit on performance, performance should be carried out within a reasonable period of time following origination of the obligation. After such a period of time has elapsed or, for obligations whose time of performance is determined as upon demand, after the origination of the obligation, the creditor has a right to demand performance at any time, and the debtor must perform the obligation within a seven-day period from the time of demand, unless performance of the obligation within a different time limit is mandated by law, contract, the nature of the obligation or customary business practices.

#### **Article 64: Place for Performance of an Obligation**

If the place for performance of an obligation is not specified by law or contract and is not clear from the nature of the obligation or customary business practices, performance of the obligation should take place:

- 1. in connection with a real estate transfer, at the place where the property in question is located;
- 2. in connection with an obligation to transfer goods or other property which is intended for shipment, at the place where the goods are turned over to the first shipper for transshipment to the creditor;
- 3. in connection with other obligations by an entrepreneur to transfer goods or other property, at the place where the property in question is manufactured or stored, if that place was known to the creditor at the obligation's time of origination;
- 4. in connection with monetary obligations, at the creditor's place of residence at the obligation's moment of origination or, if the creditor is a corporate body, at the place where that corporate body was located the obligation's time of origination; if the creditor has changed place of residence since the origination of the obligation and has so informed the debtor performance shall take place at the creditor's new place of residence or location, with the creditor to pay for all expenses incurred as a result of the change of location;
- 5. in connection with all other obligations, at the debtor's place of residence or, if the debtor is a corporate body, at that corporate body's location.

#### **Article 65: Contract Price**

1. Performance of a reimbursement contract is paid at a price established by an agreement between the contracting parties. In cases for which provision is made in legislative acts the price of a contract is established by an agreement between the contracting parties in accordance with prices (rates, estimates, etc.) established or regulated by state organs authorized to do so.
2. Alteration of the price of a contract after it has been concluded is permitted in cases and under conditions stipulated by contract or legislative acts.

#### **Article 66: Monetary Obligations**

1. Monetary obligations should be expressed and paid in USSR currency, i.e. in rubles. Use of foreign currency as well as instruments of payment in foreign currency to settle accounts within the territory of the USSR is permitted in cases and under conditions established in accordance with USSR legislation.
2. In the absence of a creditor, as well as in the event of a creditor's refusal to accept performance or other postponement on the creditor's part, the debtor in a monetary obligation or obligation to transfer securities has the right to deposit the money or securities at the office of a notary, who shall duly inform the creditor.

The act of depositing a sum of money or securities at the office of a notary is regarded as performance of the obligation.

3. In the event of postponement of performance of a monetary obligation the creditor has a right to demand payment from the debtor for the period of postponement at five percent annual interest on the amount which was not paid on time, unless a different interest rate has been set by legislative acts or an agreement between the contracting parties. In the event of postponement of performance of monetary obligations connected with entrepreneurial activity and other monetary obligations on the part of corporate bodies the aforementioned penalty for late payment is subject to be paid over and above the interest rate charged for borrowed money.

#### **Article 67: Performance of an Obligation Shared by Several Creditors or Several Debtors**

1. If several creditors or several debtors are party to an obligation, then each of the creditors has a right to demand performance, and each of the debtors is obligated to perform the obligation on an equal footing with the others, unless otherwise stipulated by law or contract.
2. A joint obligation or joint demand originates if so stipulated by a contract or established by legislative acts, specifically in cases where the object of the obligation is indivisible.

In cases of joint obligation the creditor has the right to demand performance from all of the debtors together or from one of them separately. A creditor who does not receive complete satisfaction from one of the joint debtors has a right to demand the remainder from the other joint debtors.

Performance of a joint obligation in full by one of the debtors relieves the remaining debtors of the necessary of satisfying the creditor.

In cases of joint demand any of the joint creditors has a right to demand full payment from the debtor.

Performance of the obligation in full to one of the joint creditors relieves the debtor of the necessity of satisfying the remaining creditors.

3. Legislative acts or a contract between creditor and debtors may stipulate that upon failure by the principal debtor to perform an obligation the creditor may demand performance of the remaining portion of the same obligation by another debtor (the subsidiary debtor).

#### **Article 68: Guarantees of Performance of Obligations**

1. In cases provided for by law or contract performance of obligations may be guaranteed by penalty, mortgage, guarantee or collateral.
2. A penalty (fine, default penalty) is defined as a sum of money determined by law or contract which a debtor is obligated to pay to a creditor in the event of failure to perform or improper performance of an obligation, specifically in the case of failure to meet a deadline for performance of the obligation.

The creditor does not have a right to demand payment of this penalty if the debtor is not liable for failure to perform or unsatisfactory performance of the obligation (see Article 71 of the present Fundamentals).

3. If a penalty has been established for failure to perform or unsatisfactory performance of an obligation, then the sum of losses not covered by the penalty may be subject to compensation.

The law or a contract may make provision for the following cases: levying only of a penalty without compensation for other losses; compensation for losses over and above the sum of the required penalty; either the penalty or the sum of the losses to be claimed, at the creditor's discretion.

4. In cases of mortgages the creditor (mortgage holder) has the right in the event of non-performance by the debtor of the obligation for which the mortgage is held to obtain satisfaction from the value of the property held by mortgage on a priority basis ahead of other creditors. Satisfaction of a creditor's demands out of the value of mortgaged property occurs, unless otherwise stipulated by legislative acts, on the basis of a court or arbitration court decision.

A mortgage originates on the basis of a contract or legislation.

5. The object of a mortgage, including bank mortgages, may be any property, including property rights.

Mortgaged property which has left the possession of the mortgage holder or debtor with whom it was left may be reclaimed by the mortgage holder in accordance with Article 54 of the present Fundamentals.

In the event that the right to ownership, full commercial management or operational management is transferred by the mortgage holder to another person the mortgage right remains valid.

6. In the case of a guarantee (cosigning) the guarantor (cosignatory) pledges to the creditors of another person (the debtor) to assume responsibility for performance of that person's obligations in whole or in part. In the event of inadequate funds on the part of the debtor the guarantor is responsible for the former's obligations to a creditor, unless legislation or a contract stipulates that the guarantor and the debtor have a joint obligation.

To a guarantor who has performed an obligation are transferred all the creditor's rights with regard to the obligation in question.

7. Collateral is defined as a sum of money paid by one of the contracting parties into an account stipulated in a payment agreement with the other party as proof of conclusion of the contract and as a guarantee of compliance with it. If the party which provided the collateral is responsible for failure to abide by the contract, the collateral remains with the other party; if the party which

received the collateral is responsible it is obligated to pay the other party twice the sum of the collateral.

#### **Article 69: Assignment and Transfer of a Debt**

1. Assignment by a creditor to another person is permitted insofar as it does not violate the law or a contract, and insofar as the claim is not connected with the person of the creditor. Damage claims stemming from injury to health or fatal injury may not be assigned.

The original creditor bears responsibility to the new creditor for the nullification of this claim to the debtor, except in cases where the original creditor acted as a guarantor for the new creditor.

2. Transfer by a debtor of his or her debt to another person is permitted only with the consent of the creditor.

#### **Article 70: Liability for Violation of an Obligation**

1. In the event of failure to perform or unsatisfactory performance of an obligation by a debtor the debtor is obligated to reimburse the creditor for losses incurred thereby.

Reimbursement of losses in cases where failure to perform or unsatisfactory performance of an obligation are covered by a penalty is governed by the regulations contained in Article 68 of the present Fundamentals.

In regard to certain types of obligations legislative acts may establish limited liability for failure to perform or for improper performance of obligations.

2. In the event of failure to perform an obligation to transfer a specific individual item to the ownership, full commercial management or operational management of a creditor the latter has a right to demand confiscation of the item from the debtor and its transfer to the creditor, or to claim reimbursement for losses.

3. In the event of failure by a debtor in an obligation to perform specific work, the creditor has a right to have that work performed at the debtor's expense unless otherwise stipulated by legislation or contract, or to claim compensation for losses.

#### **Article 71: Grounds for Liability for Violation of Obligations**

1. A debtor is responsible for failure to perform or unsatisfactory performance of obligations if guilt exists and unless otherwise stipulated by legislation or contract. A debtor is relieved of responsibility if the debtor can prove that he or she took all measures possible to ensure proper performance of the obligation.

2. A person who does not perform or performs unsatisfactorily an obligation connected with the conducting of commercial activity bears material liability (see Article 70 of the present Fundamentals) only in the event that that person cannot prove that proper performance of the obligation was impossible as the result of an insurmountable force, i.e. extreme and irremediable circumstances

in connection with the obligation or obligations in question (natural disaster, military action, etc.). Those circumstances do not include, among other things, violation of obligations by the debtor's agents or the absence from the market of the goods required to perform the obligation.

Legislation or a contract may provide for other fundamental liabilities or exemption from them.

3. If failure to perform or unsatisfactory performance of an obligation was abetted by the creditor's behavior a court, arbitration court or arbitration tribunal may reduce the extent of the debtor's liability proportionally.

#### **Article 72: Default by a Debtor or Creditor**

1. A debtor who defaults on performance is liable to the creditor for losses incurred as a result of the default, as well as for the impossibility of performance which may coincidentally arise in the course of the period of default. Debtors are not considered to have defaulted as long as the obligation in question cannot be performed as a consequence of a delay by the creditor.

2. If as a consequence of delay on the part of the debtor performance has ceased to be of interest to the creditor the latter may refuse to accept performance or demand compensation for losses.

3. A creditor is considered to have defaulted if the creditor has refused to accept proper performance as offered by the debtor or has not performed actions without performance of which the debtor is incapable of meeting his or her obligations.

Default by a creditor gives the debtor a right to compensation for losses incurred as a result of the default.

#### **Article 73: Termination of Obligations**

1. Performance in an appropriate manner terminates an obligation.

2. An obligation may be terminated by an offsetting of claims, the time limit for which has expired, or else the time limit of which is not indicated or is defined as the moment of demand. A statement by one party is sufficient for offsetting of claims.

Offsetting of claims is not permitted:

- 1. if by the statement of one party the requirement is subject to application of the statute of limitation on suits;
- 2. in regard to compensation for damages caused by harm to health or fatal injury;
- 3. in other cases for which provision is made in legislation.

3. An obligation is terminated by the impossibility of its performance if that impossibility arises from a circumstance for which the debtor is not responsible (see Article 71 of the present Fundamentals).

4. Legislation or a contract may make provision for other cases in which obligations are terminated.

### **Chapter 9: Buying and Selling**

#### **Article 74: Sale Contracts**

1. Under a sale contract the seller is obligated to transfer property (an item or product) to the ownership (full commercial management or operational management) of the buyer, and the buyer is obligated to accept the property and pay a specified sum of money (its price) for it.

2. The customary rules governing buying and selling are applied to sales on financial markets and at public and private auctions, as well as to the sale of currency and securities, unless otherwise stipulated by legislation regarding these types of sales and the conclusion of contracts relative to them, or unless the nature of the transaction requires otherwise.

#### **Article 75: Payment of a Price**

1. In cases in which the terms of a contract or legislation do not make it possible to determine the price of property sold it is deemed that it is to be sold at the price which at the moment the contract was concluded was normally charged for analogous property sold under comparable circumstances.

2. If the terms of a contract, legislation or customary business practices do not require payment of a price within a specified time period the buyer is obligated to pay it without delay following transfer to the buyer of the property in question or the transfer of expediting documents on that property.

#### **Article 76: Quality of Property Sold**

1. The quality of property sold should correspond to the terms of the sale contract. If the contract does not specify such terms the seller is obligated to turn over to the buyer property of normal quality corresponding to its specific purpose as indicated in a contract or known to the seller. If the seller should have known about the specific purpose of the property sold, then it should be suitable for the purposes for which property of that nature is customarily used.

2. A product, the quality of which is determined in accordance with specific manufacturer's standards as established by legislation or other technical standardizing documentation should at least meet the standards contained in those documents.

**Article 77: Buyer's Rights and the Seller's Responsibility in Connection With the Sale of an Item of Unsatisfactory Quality**

1. A buyer to whom an item of unsatisfactory quality was sold has the right to demand the following from the buyer, if the item's defects were not stated at the time of sale:

- replacement of the item with an item of satisfactory quality;
- or free repair of the item's defects;
- or reimbursement of the buyer's expenses for repair of the defects;
- or an appropriate reduction in the item's price.

2. In the event that the seller of an item of unsatisfactory quality is not its manufacturer, then demands for replacement or free repair of the item may be made either to the seller or to the manufacturer; demands for free repair may also be made to organizations established by the manufacturer to perform repairs and servicing of the manufacturer's products or organizations which perform repairs and servicing on the basis of a contract with the manufacturer.

3. In lieu of the demands listed in point 1 of the present article the buyer has a right to abrogate the sale contract and, upon return of the item of unsatisfactory quality to the seller, to demand return of money paid for the item.

4. If satisfaction of the demands indicated in points 1, 2 and 3 of the present article does not cover the losses incurred by the buyer, the buyer has a right to demand further compensation for those losses.

5. The buyer may exercise the rights set forth in the present article on the condition that the shortcomings in the purchased item are discovered within six months from the moment the right of ownership of the item was transferred to the buyer, unless a longer time period is stipulated by legislative acts or contract. In cases where a longer warranty period has been established the aforementioned rights may be exercised throughout the guarantee period.

For products which have an expiration date the rights set forth in the present article may be exercised at any time up until the expiration date.

6. Satisfaction of the demands of a buyer as set forth in the present article may be refused if the person to whom the demand is presented can prove that the item's defects originated as a result of the buyer's failure to follow instructions for the use or storage of the item, actions by third parties or an insurmountable force.

7. If defects are discovered in a purchased item after the expiration of the time periods indicated in point 5 of the present article yet within the time limit of the item's warranty period, then the rights set forth in the present article may be exercised by the buyer, if the buyer can

prove that the item's defects existed prior to its sale, with the exception of cases in which legislative acts stipulate otherwise.

**Article 78: Rights of Third Parties to Property Sold**

The seller is obligated to transfer sold property to the buyer free of any rights of third parties to said property concerning which the seller could not have not been aware when the sale contract was concluded, if the buyer has not agreed to accept property encumbered by the rights of third parties. Failure to comply with this regulation gives the buyer a right to a reduction in the purchase price or dissolution of the contract and compensation for losses.

**Article 79: Delivery Contracts**

1. Under a delivery contract the supplier, who is an entrepreneur, is obligated within specified time limits (or a time limit) to transfer to the ownership (full commercial management or operational management) of the buyer a product intended for commercial activity or other purposes not connected with personal (family or household) use, and the buyer is obligated to accept the product and pay a specified price for it.

2. The rules applicable to a sale contract also apply to a delivery contract, unless otherwise stipulated by legislative acts or contract.

The special features of delivery contracts to meet state needs are to be established by special legislation.

**Article 80: Delivery Deadlines**

1. If the contract stipulates delivery of identical goods in separate shipments, then in the absence of any other agreement between the contracting parties delivery of these goods within contractually-stipulated time limits should be carried out at regular intervals.

2. In cases where the shipment contract for delivery of an interconnected complex of machinery, equipment or other goods does not set deadlines for delivery of the parts of the shipment, delivery is considered complete on the day when the last part of the complex is delivered.

3. The buyer has a right, after notifying the supplier, to refuse to accept a product which is delivered late, unless the shipment contract stipulates otherwise. The buyer is obligated to accept and pay for a product shipped by the supplier prior to receipt of notification.

**Article 81: Buyer's Rights and Supplier's Responsibility in the Event of Delivery of an Item of Unsatisfactory Quality**

1. In the event of the delivery of an item, the quality of which does not meet the standards set forth in Article 76 of the present Fundamentals, the buyer has a right, at the buyer's discretion, to:

- demand repair of the item's defects by the supplier, if necessary setting an appropriate time period in which to do so;
- or refuse to pay for the item in proportion to the correlation of the item's actual value at the time of delivery as compared to the value which the item would have had had it been delivered in a state of satisfactory quality;
- or repair the item's defects at the supplier's expense, after giving the supplier prior notification that this will be done.

A supplier who has received notification that the buyer intends to exercise any of the aforementioned rights may immediately replace the item received with another of satisfactory quality.

If delivery of an item of unsatisfactory quality represents a substantial violation of contract, i.e. causes the buyer losses to the extent that the buyer is significantly deprived of what the buyer had a right to expect when concluding the contract, the buyer may demand replacement of the item.

2. If satisfaction of the buyer's demands or exercise of the buyer's rights as set forth in point 1 of the present article does not cover the losses suffered by the buyer, the buyer has a right to also demand further compensation for those losses.

#### **Article 82: Unilateral Refusal To Fulfill a Delivery Contract**

Unilateral refusal to fulfill a delivery contract (in whole or in part) is permitted, unless stipulated otherwise by the contract, in cases of substantial violation of the contract by one of the parties, i.e. a violation which causes the other party so much loss that that party is to a significant degree deprived of what it was counting on when the contract was concluded.

A contractual violation is assumed to be substantial, unless proven otherwise, in the following cases:

- repeated delivery of an item of unsatisfactory quality;
- systematic tardiness by the supplier in delivering the item in excess of the deadlines stipulated in the contract;
- systematic or substantial delay in payment by the buyer of a delivered item in excess of the deadlines stipulated in the contract, or declaration by the buyer of inability to pay.

#### **Article 83: Forward Contracts**

1. Under a forward contract a producer of agricultural produce is obligated to transfer to the agent procuring such produce (the forward contractor) for ownership (or full commercial management) the produce produced by him within time limits and in a quantity and assortment

stipulated by contract; the forward contractor is obligated to render the producer assistance with the production of the agricultural produce, accept it and pay a specified price for it. The forward contractor is also obligated to transport the produce, unless otherwise stipulated by contract.

2. Regulations governing shipment contracts are also applicable to forward contracts, unless otherwise stipulated by legislation.

#### **Article 84: Contracts To Supply Energy and Other Resources**

1. Under a contract to supply energy and other resources via a unified network the supplier is obligated to provide the other party, the buyer (user) with the resources stipulated in the contract, and the buyer is obligated to pay the cost of the resources received.

2. The supplier should ensure that resources are produced in quantities, within time limits and of a quality corresponding to established technical standards and contractual stipulations.

The supplier has a right to inspect the user's system for monitoring use of resources or the technical conditions of the user's equipment and facilities for the use or processing of the resources in question without disrupting the user's commercial activities.

3. The user is obligated to adhere to the schedule for use of energy and other resources stipulated in the contract.

4. The law may establish special regulations governing the supply of certain types of energy and other resources.

### **Chapter 10: Leasing**

#### **Article 85: Lease Contracts**

1. On the basis of a lease contract (rental of property) the lessor (issuer of the rental agreement) is obligated to grant the tenant (renter) property for temporary possession and use or for use for payment for the purpose of independent commercial activities or other purposes.

The produce, fruits and other income received by a tenant as the result of use of leased property in accordance with a contract is the property of the tenant.

2. The lessor should offer the tenant property in a condition corresponding to the terms of the contract and the purpose of the property. The lessor is responsible for shortcomings in the leased property which hinder use of it, even if the lessor was not aware of those shortcomings at the time the lease was concluded. Unless otherwise stipulated by law or contract the lessor must make capital repairs to leased property at the lessor's expense.

3. The tenant is obligated to use the property in accordance with contract and the property's purpose, to maintain it in good condition, to perform minor repairs at the tenant's expense unless otherwise stipulated by law

or contract and to pay the rent in a timely manner. The tenant has a right to sublet the property by agreement with the lessor unless otherwise stipulated by law. Following termination of the contract the tenant is obligated to return the property in the same condition in which it was received less normal wear and tear, or in a different condition as stipulated by contract.

4. Unless otherwise contractually stipulated detachable improvements to the leased property made by the tenant are the tenant's property. In the event that the tenant has made at the tenant's own expense and by agreement with the lessor improvements which are not removable without causing harm to the leased property the tenant has the right following termination of the lease contract to compensation for the cost of those improvements, unless otherwise contractually stipulated. The cost of non-detachable improvements made by the tenant without the lessor's consent is not subject to reimbursement unless otherwise stipulated by legislative acts.

#### **Article 86: Alteration or Dissolution of Lease Contracts**

1. Changes in the terms of a lease contract or its premature dissolution are permitted by agreement between the parties to it. At the request of one party to the lease a lease contract may be dissolved by a court, arbitration court or arbitration tribunal in cases for which provision is made in legislative acts.

2. Transfer of the right of ownership (full commercial management or operational management) on leased property to another person is not grounds for alteration or dissolution of the lease contract.

3. Upon expiration of the time limit for the lease contract a leaseholder who has performed his or her obligations in an appropriate manner has an option before others to renew the lease contract.

4. If a lease contract is extended for a new period of time its terms may be amended by agreement of both parties.

If a tenant continues to use property following the expiration of a contract without objection on the part of the lessor the contract is regarded as renewed for an indefinite period of time. In connection with this each of the parties has a right to break the contract at any time, giving the other party at least three months' notice of the intention to do so, unless otherwise stipulated by legislation or contract.

#### **Article 87: Redemption of Leased Property**

1. A lease contract may make provision for leased property to become the property of the tenant upon expiration of the term of the lease or prior to its expiration upon the condition that the tenant pays the entire redemption price stipulated in the lease contract.

2. If no stipulation has been made in the lease contract regarding redemption of the leased property such a stipulation may be established by a supplementary agreement between the parties, who in the process have the

right to negotiate on calculation of previously paid lease fees as part of the redemption price.

#### **Article 88: Special Features of Certain Types of Leases**

Legislation may make provision for special features of certain types of leases, as well as cases restricting leasing or forbidding redemption of leased property.

### **Chapter 11: Housing Rental**

#### **Article 89: Housing Rental Contracts**

1. On the basis of a housing contract the landlord grants the renter and members of the renter's family use of housing suitable for permanent residence; the renter is obligated to use that housing in accordance with the building's purpose, maintain it and make payments for the use of the housing (rent) in a timely manner.

2. Family members living with the renter enjoy all the rights and have all the obligations of the housing rental contract along with the renter.

3. At the demand of the renter and members of the renter's family a contract may be concluded with one of the members of the family. In the event of the renter's death or departure from the housing in question a contract should be concluded with one of the family members living in the housing.

4. The rules contained in points 2 and 3 of the present article are applicable to housing rental contracts in state-owned buildings. These rules are applicable to housing rental in other buildings unless otherwise stipulated by a contract between the landlord and the renter.

5. Rent for apartments in state-owned buildings is established by legislative acts.

Rent in other buildings may exceed the maximums established by legislative acts.

#### **Article 90: Termination of a Housing Rental Contract**

1. A housing rental contract may be terminated only by a court if the renter does not consent to termination.

2. Upon dissolution of a housing rental contract eviction without an offer of other housing may occur only in cases of systematic violations or destruction of the housing or common areas or other behavior which makes residence in one house or one apartment impossible. On these grounds the right to use of the housing is terminated only with regard to those citizens whose behavior is improper. The housing rental contract remains in effect for the other parties to the contract.

Dissolution of a housing rental contract and eviction without an offer of other housing is permitted only in cases of non-payment of rent without extenuating circumstances for six months in a row.

3. Eviction from housing which is not state-owned may also occur without an offer of other housing upon expiration of the rental period, when a rental period has been agreed to.

If a rental contract has been concluded in such housing without a specified time limit, then eviction without an offer of other housing is permitted if six months' prior notice of eviction is given.

4. Republic legislative acts may make provision for grounds for eviction from official housing and dormitories without an offer of other housing.

Grounds for termination of a housing rental contract with an offer of other housing may be established by republic legislative acts.

## **Chapter 12: Work Contracts**

### **Article 91: Agreement on a Work Contract**

1. Under an agreement in regard to a work contract the contractor is obligated to perform at his own risk certain work at the customer's instructions with the use of him or his materials, while the customer is obligated to accept the work and pay for it within a specified period of time and at an agreed-upon price.

2. A firm or approximate estimate may be drawn up for the performance of work stipulated by contract.

If it becomes necessary to substantially exceed an approximate estimate the contractor is obligated to notify the customer of this in a timely manner. In such cases the customer has a right to break the contract after reimbursing the contractor for his expenses. If the contractor does not notify the customer that the approximate estimate will be exceeded, he is obligated to perform the work without compensation for above-estimate expenses.

3. The customer has a right to inspect the progress and quality of work at any time without interfering in the contractor's commercial activities.

4. The contractor is obligated to do everything possible to ensure protection of the customer's property entrusted to him and is responsible for any error which causes loss of or damage to that property.

The risk of accidental loss of material prior to the deadline established for the contractor to complete a contractually-stipulated job is borne by the party which supplies the material; after such a deadline the risk is borne by the party which has exceeded the deadline, unless otherwise stipulated by legislation or contract.

5. If the subject of a work contract is accidentally destroyed prior to being turned over to the customer or if it becomes impossible to complete the job for reasons beyond the customer's control the contractor does not have a right to demand compensation for the work performed.

### **Article 92: General Contractors and Subcontractors**

A contractor has the right to engage other persons (subcontractors) who are responsible to the customer for the results of their work. In such cases the contractor serves the customer as a general contractor, and acts as customer with regard to the subcontractors.

### **Article 93: Customer's Rights in the Event of Contract Violations by the Contractor**

1. If the contractor has deviated from the terms of the contract and consequently adversely affected the job or permitted other shortcomings in the job the customer has a right to demand at the customer's discretion free elimination of the aforementioned shortcomings within an appropriate time period, compensation for expenses incurred by the customer to repair shortcomings in the job, or a proportional reduction in remuneration for the job.

2. If the job shows evidence of substantial deviation from the contract or other substantial shortcomings the customer has a right to demand dissolution of the contract and compensation for losses.

### **Article 94: Statute of Limitation on Contractor Liability Suits**

Suits over a contractor's deviations from the terms of a contract which adversely affect a job or other shortcomings in a job may be filed within six months of the date when the finished job is accepted or, if the shortcomings could not have been discovered by the normal means of acceptance, within one year from the date when the finished job is accepted.

Suits over such shortcomings in a building or structure that can not be detected in the usual manner when accepting a job may be filed within three months from the day of accepting the job.

If legislation or a contract stipulates a warranty period and shortcomings in a job are discovered within that period, then the statute of limitation on suits is calculated beginning with the date when the shortcomings were discovered.

### **Article 95: Work Contracts for Capital Construction**

1. Under a work contract for capital construction the contractor is obligated to build and turn over within a specified time period a facility designated by contract or to perform construction jobs specified by contract, while the customer is obligated to provide the contractor with a construction site or other work area, accept the work and pay for it.

A work contract for capital construction is concluded upon the completion of construction, capital repairs, reconstruction of enterprises, buildings, and structures, and the fulfillment of repair, foundation, and other jobs directly associated with the object.



2. Materials, planning and technical groundwork for construction is the responsibility of the contractor. Payment for work performed follows the customer's acceptance of the finished facility or series of contracted jobs. A contract may make provision for other means of groundwork for the job and other terms of payment.

3. In the event of destruction of or damage to the facility under construction as a result of an insurmountable force prior to the deadline set for turning over the completed job the customer is obligated to pay the cost of the work performed or restoration work, unless otherwise contractually stipulated.

If it is necessary to halt construction for reasons not under the control of the contracting parties the customer is obligated to pay the contractor for work performed prior to termination of construction and reimburse the contractor for expenses incurred as a result of halting construction.

4. The contractor is responsible for defects in the finished job, including failure to achieve projected capacity or other planned indices.

#### **Article 96: Work Contracts for Planning and Survey Work**

1. Under a work contract for planning and survey work the contractor is obligated to draw up planning documentation to the customer's specifications and perform survey work, while the customer is obligated to accept the work and pay for it.

2. The contractor is responsible for shortcomings in the plan, including those which are discovered during implementation thereof, as well as those discovered during use of the facility in question. If shortcomings are discovered the contractor is obligated to redo the plan free of charge and also to compensate the customer for losses incurred as a result of shortcomings in the plan up to the full cost of the planning work, unless the law establishes a higher degree of liability.

#### **Article 97: Contracts for Scientific Research and Experimental Design Work**

1. A contract regarding performance of scientific research and experimental design work obligates the person performing the work to carry out scientific research as per instructions or develop a prototype of a new item and design documentation on it, a new production technology or other production-related innovation, while the customer is obligated to accept the work and pay for it.

A contract with a person performing such work may encompass the entire cycle of research, development and manufacture of a production innovation or individual aspects of research, development and manufacture.

2. If scientific research fails to achieve the desired results the customer is obligated to pay the person who performed the work for expenses incurred for the research prior to discovery of the impossibility of obtaining the desired results.

3. If in the process of experimental design work it is discovered to be impossible through no fault of the person performing the work to create the contractually-stipulated item or design documentation for it, then the customer is obligated to pay the expenses of the person performing the work.

If in the course of experimental design work the desired indices for the item under development are not attained the customer has a right to reduce remuneration to the designer proportionally, insofar as the failure is not due to the customer's own behavior.

#### **Article 98: Special Features of Certain Types of Contract Work**

Legislation may establish special regulations governing certain types of contract work.

### **Chapter 13: Shipping**

#### **Article 99: Shipping Contracts**

1. Under a contract to ship freight the carrier is obligated to deliver the freight entrusted to him by the sender to its destination and turn it over to a person authorized to receive the freight (the receiver), while the sender is obligated to pay a specified price for shipment of the freight.

2. Under a contract to transport a passenger the carrier is obligated to deliver the passenger to his or her destination and, in the event that the passenger has checked baggage, also to deliver that baggage to the destination and release it to a person authorized to receive it; the passenger is obligated to pay an established fee for passage, as well as for any baggage transported.

3. Terms governing transportation of freight and passengers by individual modes of transportation and transportation by various means of transportation using the same transport documents (direct mixed connections), as well as the liability of the parties to such transportation, are established by transportation charters and codes, other legislative acts and regulations issued according to procedures set forth in those legislative acts.

#### **Article 100: Transport of Freight and Passengers via Public Transportation**

1. Public-use transportation organizations do not have a right to show preference to one individual over others in regard to the concluding of a transportation contract or its terms (cost, time of departure, etc.) except in certain cases provided for in legislative acts.

2. Agreements between public-use transportation organizations and passengers and freight senders restricting

or eliminating liability for damages to the life and health of a passenger as well as loss of or damage to freight as stipulated by law are invalid, with the exception of cases where the possibility of such agreements is provided for in transportation charters and codes.

#### **Article 101: Long-Term Shipping Contracts**

A carrier and a freight owner may conclude long-term shipping contracts if there exist between them ongoing ties resulting from the need to make regular shipments. Contracts of this nature define volume, deadlines and other terms governing provision of transportation, delivery of freight for shipment and other aspects of transportation not stipulated in transportation charters and codes or by regulations issued in development thereof.

#### **Article 102: Transportation Fees**

1. Payment for transportation of freight, passengers and baggage by public-use transportation organizations are determined by rate schedules established according to procedures established by transportation charters and codes or, in cases for which rate schedules have not been established, by agreement between the parties involved.

2. The carrier has a guaranteed right to the property entrusted to it for shipment in order to ensure payment of the appropriate sum of freight fees and other shipment costs.

#### **Article 103: Time Limits for Delivery of Freight, Passengers and Baggage and Liability for Delays**

The carrier is obligated to deliver freight, passengers or baggage to their destination within a time limit established by transportation charters and codes or by regulations issued according to established procedure. If no time limit for delivery has been established the contracting parties have a right to stipulate a deadline in their contract. For violation of time limits for delivery of freight or baggage, delay in releasing them and delays in passenger transportation the carrier bears liability as specified by transportation charters and codes and the transportation contract.

#### **Article 104: Carrier's Liability for Lost, Incomplete or Damaged Freight and Baggage**

The carrier is responsible for loss of, partial loss of or damages to freight and baggage in an extent and under terms stipulated by transportation charters and codes and other legislative acts or agreed upon in a transportation contract concluded in accordance therewith.

#### **Article 105: Transportation Expediting Contract**

1. Under a transportation expediting contract the expeditor is obligated for remuneration and at the expense of the sender of freight to conclude for him or on his behalf one or more freight shipment contracts and comply with or arrange compliance with the additional shipment-related services stipulated by contract.

The additional services in an expediting contract may include such necessary aspects of shipping as acquisition of import-export documents, compliance with customs regulations and other formalities, inspection of the quantity and condition of the freight, loading and unloading, payment of duties, fees and other expenses owed by the sender, storage of the freight and acceptance of freight at its destination.

2. The statements in Chapter 16 of the present Fundamentals are applicable to relations based on an expediting contract if the expeditor acts on behalf of the sender under the terms of a contract; the statements in Chapter 17 of the present Fundamentals are applicable if the expeditor acts in his own name.

3. Liability for failure to perform or improper performance of obligations included under the additional services which the expeditor is bound to perform is determined by legislation regarding the type of contract in question (work contract, storage contract, etc.) and the terms of the expediting contract.

4. An expediting contract under the terms of which the expeditor acts in his own name may stipulate the expeditor's liability for improper performance of a shipment contract concluded by him for the purpose of ensuring delivery of freight. This liability on the part of the expeditor is determined by the same regulations which govern the shipper's liability, unless the expediting contract stipulates a higher degree of liability on the part of the expeditor.

### **Chapter 14: Insurance**

#### **Article 106: General Principles**

1. The object of insurance may be property as well as a property interest which is not in violation of the law (possible property damages caused by loss of life or damage to health, the risk of civil liability, expected profits, the risk of entrepreneurial activities, etc.).

2. Insurance coverage is provided in the form of voluntary insurance or, in certain cases established by legislative acts, in the form of mandatory state insurance.

3. An insurer may be a corporate body which has state permission (a license) for this type of entrepreneurial activity and which meets other requirements stipulated in USSR legislative acts on insurance.

Mandatory state insurance coverage is provided by state insurance organizations.

#### **Article 107: Voluntary Insurance Policies**

1. Under an insurance policy for property or in connection with a property right to property or the use thereof (property insurance policy) the insurer is obligated to make specified payments (insurance payments) upon the occurrence of an event (insurance claim) stipulated in the insurance policy to compensate the insured or other person who is the beneficiary of the insurance policy and

who has suffered total or partial losses (to pay insurance compensation) within the limits of a sum established by the policy (the insurance amount).

In cases in which property is not insured for its full value an appropriate portion of the damages is subject to compensation, unless otherwise stipulated by legislative acts or the insurance policy.

If the insurance amount stated in a policy exceeds the true value of the insured property the policy is invalid for that portion of the insurance amount which exceeds the property's value.

2. Under a personal insurance policy the insurer is obligated upon occurrence of an insurance claim to pay the insured or other person who is a beneficiary of the insurance policy an insurance amount stipulated by the policy regardless of any sums received by the beneficiary from social insurance or social security and sums received as compensation for damages. The insured is obligated to make insurance payments as stipulated by the insurance policy.

3. An insurance policy does not take effect prior to the first insurance payment unless otherwise stipulated in the policy.

An insurance policy is concluded in written form.

#### **Article 108: Consequences of the Occurrence of an Insurance Claim**

1. The insurer is obligated upon occurrence of an insurance claim to pay the insured or other person who is beneficiary of the insurance policy insurance compensation and also within the limits of the insurance amount to reimburse essential expenses made in order to alleviate the damages subject to compensation.

2. Following the occurrence of an insurance claim the insured may, unless otherwise stipulated by law or contract, state to the insurer the intention of renouncing his or her rights to insured property and receive the full sum of insurance compensation.

3. An insurer who has paid insurance compensation based on property insurance coverage assumes within the limits of the sum paid the rights to the claim which the insured or other person who received the insurance compensation had against the person liable for damages incurred.

### **Chapter 15: Accounts and Lending**

#### **Article 109: Bank Accounts**

1. Banks accept and keep in accounts the money of their customers and perform accounting, lending, cashier and other banking transactions at their instructions.

Corporate bodies and citizens who engage in commercial activity have a right to open accounts with any bank at

their place of registration or with any bank outside their place of registration, with the consent of the latter.

Corporate bodies are obligated to keep their liquid cash in bank accounts.

2. Unjustified refusal by a bank to accept money from a customer for safekeeping or to open an account if performance of such banking transactions is specified in the bank's charter may be appealed by the customer before a court or arbitration court.

#### **Article 110: Bank Account Contracts**

1. Under a bank account contract a bank is obligated to safeguard a customer's funds in the customer's account, record sums deposited in that account, follows the customer's instructions regarding payments into or out of the account and the performance of other banking transactions specified for that particular type of account by legislative acts or by bank regulations and contracts established in accordance therewith.

2. A bank may use the funds in a customer's account while guaranteeing that those funds will be available upon demand and that the customer has a right to dispose of those funds and to receive income (interest) on them.

A bank does not have a right to determine or monitor the nature of the use of funds or establish any other restrictions on the customer's right to dispose of the customer's funds at his or her discretion unless such restrictions are set forth in legislative acts.

3. Without a customer's instructions removal of funds from an account is permitted only by decision of a court or arbitration court, unless otherwise specified by legislative acts.

4. A bank guarantees the secrecy of its customers' accounts. Disclosure by the bank of information regarding the status of accounts and transactions connected with them without the customer's consent is not permitted, with the exception of cases set forth in legislative acts.

5. A bank account contract may be terminated at the request of the customer and for other reason stipulated by legislative acts. The absence of transactions connected with a bank account is not grounds for termination of the bank account contract.

#### **Article 111: Bank Deposit Contracts**

1. Under a bank deposit contract the bank is obligated to safeguard the depositor's funds, pay income on them in the form of interest or some other form, carry out the depositor's instructions with regard to transactions involving the deposit and return the deposit to the depositor upon the depositor's initial demand according to terms and procedures stipulated for that type of deposit by law and contract.

Unless otherwise stipulated by legislative acts the statements contained in points 2-4 of Article 110 of the present Fundamentals are applicable to bank deposits.

2. Citizens' deposits may be accepted only by banks, which ensure the safekeeping and timely return of deposits by insurance or other means stipulated by legislative acts.

Safekeeping and return of citizens' deposits by banks in which the state owns more than 50 percent of the stock (shares) is guaranteed by the state or its central bank which is responsible for failure to perform obligations to the depositors in accordance with point 6, Article 68 of the present Fundamentals.

3. Levies on citizens' deposits may be made only on the basis of a court sentence or decision.

#### **Article 112: Accounts**

1. Clearing accounts are kept by corporate bodies and citizens through a bank in which an appropriate account has been opened.

The forms of clearing operations are determined by bank regulations established in accordance with legislative acts. The parties to a contract have a right to stipulate therein any of the forms of accounts established by those acts.

2. Cash accounts are kept according to procedures established in accordance with legislative acts.

#### **Article 113: Bank Loans**

1. Under a loan contract (credit agreement) the lender (creditor) transfer to the borrower (debtor) as property (for full commercial management or operational management) money or items determined by identifying traits, and the borrower is obligated to return the sum of money or an equal quantity of items of the same time and quality in a timely manner.

2. Interest is charged on loans made to individuals engaged in commercial activity, unless otherwise specified by contract. The interest rate is determined by agreement between the contracting parties in accordance with the lending interest requirements established by legislative acts, or if no such agreement exists, by the average bank interest rate which exists at the creditor's location.

A loan agreement between citizens not connected with commercial activity is assumed to be interest-free, unless otherwise stated in the agreement.

3. A loan agreement for a sum of over 500 rubles should be concluded in written form unless otherwise stipulated by legislative acts.

4. As a means of ensuring timely return of the loan banks and other creditors involved in a credit agreement accept

deposits, cosigning (guarantee) and obligations in other forms customary in banking practice. A loan may also be granted without collateral.

The debtor is obligated to give the bank an opportunity to verify loan collateral.

Failure to comply with collateral requirements constitutes grounds to revoke the loan prematurely.

5. Granting of credit, including in the form of an advance, ahead-of-schedule wages and delayed or scheduled payment for goods, may be provided for in sale contracts, work contracts and other contracts, unless this is forbidden by legislative acts or is contrary to the nature of existing obligations.

#### **Article 114: Obligation To Grant Credit**

1. A credit agreement may make provision for an obligation on the part of a bank or other person engaged in commercial activity to grant credit for time periods, in amounts and under terms agreed upon by the contracting parties.

2. A person obligated to grant credit may subsequently refuse to lend upon acknowledgement of the debtor's inability to pay, failure to perform collateral obligations and other contractually-stipulated circumstances.

### **Chapter 16: Power of Attorney**

#### **Article 115: Power of Attorney Agreements**

On the basis of a commission contract the attorney is obligated to perform certain legal acts on behalf of and at the expense of the principal. The principal is obligated to compensate the attorney unless otherwise stipulated by law or contract.

The attorney is obligated to exercise the power of attorney personally, unless otherwise stipulated by legislative acts or contract.

The principal has a right to alter the power of attorney, and the attorney may renounce it at any time. Agreements renouncing these rights are not valid.

If the attorney has renounced the agreement under conditions in which the principal was unable to otherwise protect his or her interests the attorney is obligated to make compensation for any losses incurred as a result of termination of the agreement.

#### **Article 116: Obligations of the Attorney**

The attorney is obligated to exercise the power of attorney granted to him or her in accordance with the principal's instructions. The attorney has a right to deviate from those instructions if this is necessary under given circumstances in the principal's best interests and the attorney could not make inquiry of the principal in advance or did not receive a reply to such an inquiry in a timely manner.

The attorney is also obligated to report to the principal at the latter's request all information regarding exercise of the power of attorney and turn over to the principal without delay everything obtained through exercise of the power of attorney.

#### **Article 117: Obligations of the Principal**

The principal is obligated to accept without delay from the attorney all that has been performed by the latter under terms of their agreement.

The principal is also obligated, unless otherwise stipulated by contract, to provide the attorney with the means required to exercise the power of attorney and to reimburse the attorney for all expenditures required to exercise the power of attorney.

#### **Article 118: Managing Others' Affairs Without Power of Attorney**

1. A person who makes a transaction for the benefit of another person without having the authorization to do so has a right to demand compensation for expenditures connected with the transaction, upon the condition that it is subsequently approved by the other person. In the absence of approval necessary expenditures are compensated for by the person for whose benefit the transaction was made only within the limits of the benefit accrued from the transaction.

2. If a person without appropriate authorization prevents a real threat of damage to the property of other persons under conditions which preclude the possibility of warning those persons of the threat, then that person has a right to demand from those persons compensation for losses connected with the effort to prevent damage. The amount of losses subject to compensation should not exceed the amount of damage prevented.

### **Chapter 17: Commissions**

#### **Article 119: Commission Contracts**

1. Under a commission contract the broker is obligated to perform one or more transactions for the client for remuneration, on the client's behalf and in the client's best interests.

The broker retains the right to commission fees and compensation for expenses in the event that the agreement is not upheld for reasons dependent upon the client.

2. In regard to a transaction performed by a broker with a third party it is the broker who acquires rights and assumes obligations, even though the client is named as a party to the transaction.

At the client's request the broker must transfer to the rights and obligations connected with a given transaction, after notifying the third party with whom the transaction was concluded of the transfer. The latter has a right to raise objections to the client based on other

outstanding claims against the broker which are not connected with the transaction in question.

3. Legislation may make provision for special characteristics of certain types of commissions.

#### **Article 120: Use of Commission Powers**

1. A broker who has accepted a commission is obligated to act in accordance with the client's instructions and on the most advantageous terms for the client. If the broker makes a transaction on terms more advantageous than those which were indicated to the client the benefit accrued is divided equally between the contracting parties, unless otherwise stipulated by the commission contract.

The broker has a right to deviate from the client's instructions in the cases set forth in Article 116 of the present Fundamentals.

2. A broker is not liable to the client for performance of a transaction by a third party after the transaction has been made with that party on behalf of the client, except in cases in which the broker did not exercise sufficient caution in the selection of the third party or if the broker accepts the assignment of ensuring performance of the transaction by the third party (*del credere*).

#### **Article 121: Rights to Property Which Is the Subject of a Commission Contract**

1. Property received by a broker from a client or obtained by a broker on a client's behalf belongs to the latter.

2. In order to ensure payment to the broker of fees stemming from commission assignments the broker possesses a collateral right on items which comprise the object of the commission.

3. A broker is responsible to the client for loss of or damages to client property in the broker's possession.

### **Chapter 18: Joint Operations**

#### **Article 122: Contracts Regarding Joint Operations**

Joint operations without creation of a corporate body for that purpose are carried out on the basis of a contract between participants in the operations in question. Under the terms of a joint operations contract (simple partnership contract) the parties (participants) are obligated to operate jointly through pooling of property and efforts to achieve a common commercial or other goal not in violation of legislative acts.

Legislation may make provision for special regulations governing implementation of certain types of joint operations.

**Article 123: Conducting of the Joint Affairs of Participants to a Contract**

1. The conducting of the joint affairs of participants in a joint operations contract is carried out by their common consent, unless otherwise contractually stipulated that decisions regarding the partnership's affairs will be made by a major vote of participants.

2. If the participants in the contract have stipulated therein that their joint operations will be headed by one of the participants, then the conducting of their joint affairs falls to that participant.

The person who has been assigned to conduct joint affairs acts in accordance with an authorization issued by the remaining participants in the contract.

**Article 124: Joint Property of the Contracting Parties**

1. Monetary or other property contributions by contract participants, as well as property created or acquired as a result of their joint operations, is their common, proportionally shared property.

A participant in a joint operations contract does not have a right to dispose of that participant's share of common property without the consent of the remaining contract participants, with the exception of that portion of production and income from operations which accrues to each of the participants.

2. The property of corporate bodies united as participants in a contract for the purpose of joint production is to be accounted for on a separate balance sheet and with a separate balance sheet for the joint operations contract participant to whom the conducting of joint operations and direction of the contract participants' common affairs has been entrusted by contract.

3. Levies as a result of debts owed by a joint operations contract participant which are not connected with the operations in question may be made against that participant's share of common property according to established procedures in the event that that participant does not possess sufficient other property.

4. The participants' obligations to maintain common property and procedures governing compensation for expenses and losses connected with performance of those obligations are provided for in the joint operations contract.

**Article 125: Distribution of the Results of Joint Operations Among Contract Participants**

Distribution of profits, losses and other results of joint operations among participants in a joint operations contract is carried out in accordance with an agreement between them.

**Chapter 19: Obligations Stemming From Damages and Unjustified Enrichment****Article 126: General Grounds for Liability for Damages**

1. Damages caused to an individual or to a citizen's property, as well as damages caused to the property of a corporate body, are subject to compensation in full by the person who caused the damages.

The person who caused the damages is exempt from payment of compensation if that person can prove that the damages were caused through no fault of that person.

2. A corporate body or citizen must make compensation for damages caused by the employees of that corporate body or citizen during performance of their work-related (or official) duties.

3. Persons who cause damages together are jointly liable to the injured party.

4. Damages caused by legally permissible actions are subject to compensation in cases provided for by legislative acts.

5. When handing down a decision on compensation for damages a court, arbitration court or arbitration tribunal should in accordance with the circumstances of the case obligate the person responsible for the damages to make compensation for them in kind (offering an item of the same type and quality, repairing the damaged item, etc.) or pay full compensation for the losses incurred, unless legislative acts stipulate a greater degree of liability.

**Article 127: Liability for Damages Caused by Illegal Actions by State Organs**

1. Damages caused to a citizen or corporate body by the illegal actions of a state organ or by officials during performance of their duties in the administrative realm are to be compensated for on the usual terms unless otherwise stipulated by legislative acts.

2. Damages caused to a citizen as a result of an illegal conviction, illegal prosecution, illegal use of force in the course of arrest and detention or illegal imposition of administrative penalties in the form of arrest or corrective labor are to be compensated for in full by the state regardless of the guilt of officials in organs of inquiry, preliminary investigation, the procuracy or the court, in a manner set forth in legislative acts.

Damages caused to a citizen or corporate body as a result of other illegal acts by organs of inquiry, preliminary investigation, the procuracy or a court are to be compensated for on the usual terms.

**Article 128: Liability for Damages Caused by a Hazard**

1. Corporate bodies and citizens whose activities involve hazard to the public (transportation organizations, industrial enterprises, construction sites, motor vehicle owners, etc.) are obligated to make compensation for damages caused by the hazard unless they can prove that

the damages originated as the result of an irresistible force or the intent of the injured party.

2. Damages caused by the action of hazard to their possessors are to be compensated for on the usual terms (see Article 126 of the present Fundamentals).

#### **Article 129: Liability for Damages Incurred as a Result of Defects in Products or Workmanship**

Damages caused to the life, health or property of a citizen as a result of the presence of production-, design- or formula-related defects or other defects in a product (or workmanship) are subject to compensation by the producer of that product (or work) regardless of whether or not the injured party was party to a contractual relation with the producer.

The producer of a product (or work) is exempt from liability if the producer can prove that the damages originated as the result of the injured party's failure to comply with use and storage instructions.

Damages are subject to compensation if they were incurred during a warranty period established in accordance with law, or in the absence of such legislation within 10 years from the date of production of the product (or work).

#### **Article 130: Compensation for Damages Caused to Citizens' Life or Health**

1. In connection with the causing of a mutilation or other damages to the health of a citizen lost wages (income) are subject to compensation, as are expenses incurred as a result of the damages to health.

2. In the event of the death of the injured party the right to compensation for damages belongs to unemployable persons who were dependents of the deceased or had a right to receive support from the deceased at the time of his or her death, as well as any child of the deceased born after his or her death.

3. Damages caused to the life or health of a citizen during performance of contractual obligations (shipping contracts, labor contracts, etc.) by organizations and individual citizens are to be compensated for based on the rules set forth in the present chapter, unless greater compensated is required by legislative acts.

#### **Article 131: Compensation for Moral Damages**

Moral damages (physical or moral suffering) caused to a citizen by illegal acts are to be compensated for by the person causing the damages. Moral damages may be compensated for in monetary or material form and in an amount determined by the court regardless of the amount of property damages subject to compensation.

#### **Article 132: Consideration of the Injured Party's Fault and the Property Status of the Person Causing Damages**

1. If flagrant negligence on the part of the injured party contributed to the origination or exacerbation of damages, then in proportion to the degree of fault on the part of the injured party and the person causing the damages compensation should be reduced. In cases of flagrant negligence on the part of the injured party and absence of blame on the part of the person liable for the damages (in cases where that person is liable for damages regardless of guilt), then the amount of compensation should be reduced or eliminated altogether unless otherwise stipulated by legislative acts.

2. A court may reduce the amount of compensation for damages caused by a citizen in view of that citizen's financial situation, except in cases of intentionally committed crime.

#### **Article 133: Obligation Stemming From Unjustified Enrichment**

1. A person who without grounds established by legislation or transaction acquires property at the expense of another is obligated to return the improperly obtained property to the latter. The same obligation originates if the grounds upon which property was obtained subsequently become invalid.

2. In the event that it is impossible to return improperly obtained property in kind, then compensation should be made for its value as determined at the moment when a demand for return of the property was made.

3. A person who has obtained property by improper means is obligated to return or make compensation for all income which was earned or should have been earned from the property during the period of time when that person learned of or should have learned of the unjustified enrichment.

Interest at the average bank interest rate existing at the place where the creditor is located is levied on the sum of unjustified enrichment from the use of another's property.

4. The regulations set forth in the present article are also applicable to cases in which property was saved by a person without grounds for such action established by legislation or transaction.

5. Legislation may specify cases in which improperly obtained or saved property is not subject to return.

### **Section IV. Copyright**

#### **Article 134. Works to Which Copyright Extends**

1. Copyright extends to works of science, literature, or art which are the results of creative endeavors, regardless of intended use and merits, as well as the mode of their reproduction. Works should be expressed in oral,

written, or other objective form which permits their reproduction. Copyright applies to works both released and not released.

A work is considered released (published) if, with the consent of the author, it has been published, publicly performed, publicly shown, broadcast on radio or TV, or erected, or has become available to an indeterminate number of persons in some other manner.

2. The following are copyrighted items: literary works (fiction, scientific, textbook, journalistic, and so on), dramatic works, musical works with or without text, musical-drama and stage productions, audiovisual works (cinema, television, and video works), radio productions, works of depictive and decorative-applied art, architecture, urban design, garden-and-park art, stage design, design, photography, cartographic works, works of choreography and pantomime, translations, computer programs, collections (encyclopedias, anthologies, data bases, and so on), as well as other works having the attributes referred to in Point 1 of the present article.

3. The registration a work, or compliance with any other formalities, is not required for copyright to arise, be exercised, or be protected.

4. Copyright of a work is not associated with the right of property to a material object through which the work is expressed.

5. Copyright does not apply to works of folk creativity, as well as official documents (laws, court rulings, etc.), official symbols and signs (flags, shields, orders, bills, and so on) established by state and public organizations.

#### Article 135. Author's Rights

1. A citizen through whose creative labor a work has been created is acknowledged to be its author.

2. The author of a work has exclusive rights to his work, which include:

- the right to authorship;
- the right to a name;
- the right to the integrity of the work;
- the right to publish the work;
- the right to use the work (the right to perform or authorize its reproduction by any means—in the press, through public performance, broadcasting on the air, video and audio recordings, on cable TV, by satellite or other technical means; translation, revision of the work; dissemination of copies of a reproduced work; implementation of an architectural or design project, and so on);
- the right to remuneration for the permission to use, and for use of the work.

The author may assign rights to use his work both in the territory of the USSR and abroad to any citizen or legal entity, including foreign.

3. Copyright to a work created by the joint creative labor of two or more citizens belongs to the co-authors jointly, regardless of whether this work is a single inseparable entity or consists of parts, each of which is independently significant.

Mutual relations between the co-authors may be set forth in their contract.

Each of the co-authors retains copyright to the segment of the work created by him which is independently significant and is entitled to use this segment as he sees fit.

4. Compilers of collections of works which in terms of the selection and layout of materials represent the result of creative work enjoy copyright to the collection provided that the rights of the authors of all works included in the collection are respected.

The authors of works included in a collection retain copyright, each to his own work, and may use their works independently of the collection as a whole.

Organizations which publish encyclopedias, encyclopedic dictionaries, newspapers, magazines, periodical and continuously published collections of scientific works, and other periodicals enjoy the right to use the publication as a whole unless contracts with the authors whose works are included in the publication provide otherwise.

5. Authors of cinema, television, and video films produced on authorship contracts transfer the right to use the films to their manufacturers within the frameworks envisaged by the contracts.

The authors of works used in a film retain copyright each to his work, transfer to the manufacturer the right to use it in the film, and may use the work independently of the film on the whole.

6. Heirs of the author inherit the right to protect the integrity of the work, the right to effect its publication, or to allow its publication or use, as well as the right to receive remunerations for permissions to use, and the use of the work.

Other successors of the author in interest, including legal entities, inherit only the right to use the work.

#### Article 136. Validity of Copyright Within the Territory of the USSR

Copyright to works first released in the USSR or not released, but located in its territory in some kind of objective form, applies in the territory of the USSR. Copyright of the author and his heirs, as well as of other successors of the author in interest, is recognized regardless of their citizenship.



The copyright of USSR citizens whose works were first released or are located in some kind of objective form in the territory of a foreign state, as well as that of their successors in interest, is also recognized.

Copyright of other persons to works first released or located in some kind of objective form in the territory of a foreign state, is recognized as provided by the international treaties of the USSR.

In extending protection to the author pursuant to international treaties, the fact of releasing a work in the territory of a foreign state is certified pursuant to the provisions of the appropriate international treaty.

#### Article 137. Time Limits on Copyright

1. Copyright remains valid during the entire life of an author and for 50 years after his death, counting from 1 January of the year following the year of the author's death.

The time limit of the copyright of co-authored works is counted from the time of death of the author who survives other co-authors.

The time limit of the copyright of a work released under a nom de plume or anonymously, if the identity of the author is not established, is to be 50 years, counting from 1 January of the year following that in which the work was released.

2. Copyright of a work released for the first time after the death of the author remains in effect for 50 years after its publication, counting from 1 January of the year following the year in which the work was released.

3. The authorship, name of the author, and integrity of the work are protected indefinitely.

#### Article 138. Use of an Author's Work By Other Persons

1. The use of the work of an author (including its translation into another language) by other persons is only allowed with the consent of the author and his successors in interest and the payment of compensation, except in the cases envisaged in Points 2 and 3 of the present article.

2. The following is allowed without the consent of the author and the payment of compensation to the author, but with the compulsory reference to the name of the author whose work is used, and the source of the borrowing, as well as on the condition that this does not adversely affect the regular use of the work and does not infringe on the legitimate interests of the author:

- 1. quoting published works in textbook publications, scientific and critical works, to an extent dependent on the purpose of the publication; quoting newspaper and magazine articles in press reviews;
- 2. reproduction on radio and television of speeches and reports made publicly, as well as of articles on current economic, political, social, and religious issues

from newspapers and magazines provided the author has not specifically imposed a ban;

- 3. reproduction of released literary and artistic works to an extent commensurate with the purposes of information in the reviews of current events on film, on radio, and on television;
- 4. not-for-profit reproduction of single copies of published works for scientific, instructional, and educational purposes;
- 5. publishing of released works in raised-point script for the blind, except for works created specifically for such publications;
- 6. manufacturing of one copy of a computer program by the owner of a copy of the program on conditions set forth by legislation.

3. The use of someone else's released work for meeting personal needs is allowed without the consent of the author and the payment of compensation to the author provided this does not adversely affect the regular use of the work and does not infringe on the legitimate interests of the author.

#### Article 139. Author's Contract

1. The use of an author's work by other persons (users) is made on the basis of an author's contract.

Under the author's contract, the author is obligated to create and submit, in keeping with the contract, the work ordered for use, whereas the user is obligated to use or begin to use the work in a manner provided for in the contract, to the extent specified in the contract and at a certain time, and to pay the author the compensation specified in the contract.

Deadlines for using a work under an author's contract and deadlines for the effect of the contract are established by legislative acts.

The size and procedures for calculating author's compensation, and procedures and timing of its payment, are set forth in the author's contract. Minimal rates of the author's compensation may be established by legislation, taking into account the opinion of professional and creative-arts unions. The contract can provide for the right of the author to a share of profits from the use of the work.

2. The terms of a contract signed with the author, which worsen his position compared to that envisaged by the legislation, are not legally valid, and are replaced by the terms set forth in the legislation.

#### Article 140. Official Works

Copyright of works created in the line of carrying out a work assignment (official works) belongs to the authors.

The right to use an official work in a manner commensurate with the objective of the assignment and to a

corresponding extent belongs to the person on whose assignment the work was created (the employer). Compensation to the author for the use of a work in this manner, and to this extent, is paid in the cases and in the amounts set forth in the legislation.

Three years after the work is submitted, or earlier with employer's permission, the author acquires complete rights to use the work and to receive author's compensation.

The right of the author to use an official work in a manner not commensurate with the objective of the assignment is not restricted.

**Article 141. Rights of Performers and Creators of Audio and Video Recordings, and of Broadcast Organizations (parallel rights)**

1. Performer-actors, director-producers, and conductors have the right to the name, the right to the defense of the production or performance against distortion, the right to authorize or effect the use of a production, and the right to compensation. Recordings of performances, the broadcasting of performances on radio and television, and other use may be made only with the consent of the performer.

2. An individual who has created an audio or video recording has the right to effect or authorize its reproduction. The use of audio or video recordings is only allowed with the consent of this person or his successor in interest (owner of rights).

The right to an audio or video recording includes the right to reproduce it by any method, the right to publicly disseminate it, including its transfer abroad, as well as the right to defense against importing and disseminating copies of the recording without the permission of the owner of rights. If the right of ownership to a copy of audio or video recording does not belong to its creator, the exclusive right of commercial distribution belongs to the person who has created the audio or video recording.

3. Organizations of on-the-air broadcasting have the right to authorize other organizations to relay, record, and reproduce their broadcasts. The organizations of on-the-air broadcasting also have the right to authorize the public reproduction of TV broadcasts if such is performed for a fee on a premises accessible to an indefinite circle of individuals.

4. Creators of audio or video recordings and the organizations of on-the-air broadcasting exercise their rights within the framework of rights secured by virtue of contracts with authors, and the organizations of on-the-air broadcasting also do so without infringing on the rights of the creators of sound recordings.

Performers exercise their rights while safeguarding the rights of the authors of the works they perform.

5. The rights provided for in the present article remain in effect for 50 years counting from the date of the first

performance or production, the first release of audio or video recording, or its first broadcast on the air. The right to authorize the use of the production, performance, or recording and the right to receive compensation for the remaining segment of the aforementioned term is inherited by the heirs of a performer or an individual who has created an audio or video recording.

The name of the performer is protected indefinitely in the course of the reproduction of a performance.

6. The use of a production or performance, audio or video recordings, or radio and TV broadcasts without the consent of the persons referred to in Points 1 through 3, and 5 of the present article, is allowed to the extent and on the terms established by legislative acts.

**Article 142. The Effect of the Rights of Performers, Creators of Audio and Video Recordings, and Broadcast Organizations**

1. The rights of performers and creators of audio and video recordings who carried out the first production, performance, or recording in the territory of the USSR, as well as the rights of the organizations of on-the-air broadcasting situated in the territory of the USSR, apply in the territory of the USSR regardless of the citizenship of a physical person or the national affiliation of a legal entity.

Such rights of the Soviet citizens and legal entities are recognized regardless of the location of the first production, performance, recording, or broadcast.

2. The rights of foreign citizens and legal entity-performers, creators of sound and video recordings, and organizations of on-the-air broadcasting who carried out the first production, performance, recording, or broadcast outside the territory of the USSR apply in the territory of the USSR in keeping with the international treaties of the USSR.

**Article 143. Protection of the Rights of Authors, Performers, Creators of Audio or Video Recordings, and Organizations of On-The-Air Broadcasting**

The author, performer, creator of an audio or video recording, and his successors in interest are entitled to demand that the violation of rights owned by them be prevented or discontinued, that the rights violated be restored, and that indemnification be made for losses.

**Section V. The Right to Inventions and Other Results of Creativity Used in Production**

**Article 144. The Right to Inventions**

1. The right to inventions is protected by the state and is certified by patents in keeping with the USSR Law on Inventions.

2. A citizen through whose creative efforts a proposal meeting the established requirements was created is recognized to be the author of an invention.

If an invention is created through the joint work of several citizens, all of them are recognized to be the co-authors of the invention. Procedures for using the rights to an invention created by co-authors are set forth in an agreement among the co-authors.

3. The author of an invention enjoys the right of authorship which is an inalienable personal right. The author of the invention may assign this right, as well as an already issued patent, to another person.

5. The author of an invention has a right to derive profits from the invention in the course of personal use. He has the right to receive compensation for signing over a patent and selling a license. If the author of an invention signs the patent over to another person on the condition that compensation be paid to him when the invention is used, he has the right to receive compensation for the duration of the validity of the patent. The author also enjoys the right to compensation in other cases set forth in the legislation of the USSR.

6. The right to receiving a patent, as well as the patent issued, is hereditary. Heirs inherit the exclusive right to use the invention.

#### **Article 145. The Rights of a Patent Holder**

1. A patent certifies the exclusive right of the patent holder to use the invention at his discretion. The use of the invention by other persons without the permission of the patent holder (a license) is not allowed. A patent for an invention remains in effect for 20 years from the day a petition to issue it is filed in the state organ of the USSR for inventions.

The patent holder is entitled to sell or otherwise assign the patent to an invention, or to issue a license for it. Contracts on the reassignment of patents and the issuance of licenses are valid on the condition they are registered.

2. On the demand of the patent holder, a person using an invention in violation of the patent must discontinue the use of the invention and indemnify the patent holder for the losses caused.

3. In the USSR, only patents for inventions issued by the state organ of the USSR for inventions apply. Such patents are valid in the entire territory of the USSR. Patent holders have the right to have their inventions patented abroad through established procedures.

#### **Article 146. Official Inventions**

The patent for an invention made by an employee in the course of carrying out an official assignment (official invention) is issued to the employer if a contract on the reassignment of rights to such future inventions has been signed between the employer and the employee. The author of such an invention has the right to a non-exclusive license free of charge.

If such a contract has not been signed between the author and the employer, the patent is issued to the author of the invention. The employer has a right to use this invention on the terms set forth in a license.

#### **Article 147. The Right to an Industrial Prototype**

1. The right to an industrial prototype is protected by the state and is certified by a patent in keeping with the USSR Law on Industrial Prototypes.

2. The patent certifies the exclusive right of the patent owner to use the industrial prototype at his discretion. The use of an industrial prototype by other persons without the permission of the patent holder is not allowed. A patent for an industrial prototype remains in effect for 10 years from the day a petition to issue it is filed with the state organ of the USSR for inventions. The effect of a patent may be extended, but for no more than five years.

3. A patent owner is entitled to sell or otherwise assign the patent to an industrial prototype or issue a license for it. Contracts on the reassignment of patents and the issuance of licenses are valid on the condition they are registered.

4. On the demand of a patent owner, a person using an industrial prototype in violation of the patent must discontinue the use of the industrial prototype and indemnify the patent owner for the losses caused.

5. Only patents for industrial prototypes issued by the state organ of the USSR for inventions are valid in the USSR. Such patents are valid in the entire territory of the USSR. The patent owner is entitled to patent the industrial prototype he owns in foreign states through established procedures.

#### **Article 148. The Right to Trademarks and Service Marks**

1. The right to a trademark (service mark) is protected by the state and is certified by a certificate in keeping with the USSR Law on Trademarks and Service Marks.

2. A person who has registered a trademark has the exclusive right to use this trademark at his discretion (place it on products manufactured by him, on their packaging, on signs, documents, and so on), as well as to dispose of it. The company name of a legal entity-owner of the trademark may appear in the trademark.

3. The owner of a trademark may issue a license for the trademark only on the condition that the person to whom the license is issued ensures that the quality of goods and services is not inferior to that of the goods and services of the trademark owner.

4. The right to a trademark remains in effect for 10 years from the day a petition is filed with the state organ of the USSR for inventions. This term may be extended for 10 years at a time.

Trademarks registered by the state organ of the USSR for inventions, or protected under the international treaties of the USSR, are valid in the entire territory of the USSR. The owner of rights to a trademark is entitled to register it in a foreign state or to effect its international registration through established procedures.

5. On the demand of an owner of rights to a trademark, a person using someone else's trademark must discontinue the use of the trademark and indemnify the trademark owner for the losses incurred.

#### **Article 149. The Right to a Company Name**

The company name of a legal entity is subject to registration by means of inclusion in the state register of legal entities.

A legal entity whose company name is registered through established procedures has the exclusive right to use it.

On the demand of the owner of a company name, a person using someone else's registered company name must discontinue the use of the company name and pay an indemnity for the losses incurred.

#### **Article 150. Rights of the Author of an Efficiency Proposal**

The author of a proposal which has been determined to be an efficiency proposal, in keeping with the legislation and the rules established by an organization and based on the legislation, has the right to have his authorship recognized, and the right to compensation in an amount determined by a contract between the organization accepting the proposal and the author, taking into account the minimal size of compensation established by the legislation, as well as other rights and privileges envisaged by the legislation.

#### **Article 151. Protection of the Secrets of Production**

The owner of technical, organizational, or commercial information which constitutes a production secret (know-how) has the right to protection against the illegal use of this information by third persons provided that:

- 1. this information has an actual or potential commercial value due to not being known to third persons;
- 2. there is no free access to this information on a legal basis;
- 3. the owner of this information takes due measures to safeguard its confidentiality.

The term of protection of know-how is restricted to the time when the above conditions obtain.

A person unlawfully using know-how belonging to another person must indemnify the latter for the losses. A person who has obtained such information independently and in good faith is entitled to use it free of all restrictions.

#### **Article 152. Protection of the Accomplishments of Selective Breeding**

The exclusive right to selective breeding accomplishments (new strains of plants and new breeds of animals) is protected on the terms and through the procedures established by the legislative acts of the USSR.

### **Section VI: Inheritance Law**

#### **Article 153: General Principles**

1. Inheritance of the property of a deceased citizen takes place on the basis of the law or a will. Inheritance on the basis of the law takes place in cases where and to the extent that this has not been substituted for by a will.

2. The place where the will is read is normally the final residence of the testametary, or if that place is unknown, then the place where the property, or the greater portion thereof, is located.

The time for the opening of a will is the testametary's date of death, or if the person in question has been declared legally dead, then the day when a court order declaring that citizen legally dead takes effect, unless the court order specifies a different date.

3. An heir who accepts an inheritance is responsible for the testametary's debts within the limits of the actual value of the property willed to the heir by the testametary.

4. Citizens' bank accounts may be inherited according to the customary regulations.

#### **Article 154: Inheritance on the Basis of Law**

In cases of inheritance on the basis of law the principal heirs are, in equal proportion, the children (including adopted children), spouses and parents (including adoptive parents) of the deceased. Also included in the category of principal heirs is any child of the deceased born after his or her death.

Republic legislative acts may make provision for other persons to be included in the category of principal heirs, as well as subsequent categories of heirs under the law.

Heirs in subsequent categories are recognized as entitled to the estate only in the absence of heirs in preceding categories, or upon their failure to accept the inheritance.

#### **Article 155: Inheritance on the Basis of a Will**

1. A citizen may will all of his or her property or a portion thereof to one or more citizens, who may be either members or not members of the category of legal heirs, to corporate bodies or to the state (see Article 25 of the present Fundamentals).

2. A will should be attested to by a notary public, unless some other form of certification has been established by legislative acts.

3. Regardless of the contents of the will principal heirs who are incapable of working or minors receive a mandatory portion of the estate; the size of that portion is to be determined by republic legislative acts. Republic legislative acts may also stipulate other heirs incapable of working or of minor age who have a right to a mandatory portion of the estate.

## **Section VII: Legal Capacity of Foreign Citizens and Corporate Bodies; Application of the Civil Laws of Foreign States and International Treaties**

### **Article 156: Grounds for Application of Foreign Law**

Foreign law is applicable to civil relations in cases provided for by USSR and republic legislative acts or international treaties to which the USSR is a party, as well as on the basis of an agreement between parties which does not violate the above, or on the basis of an internationally accepted practice recognized by the USSR.

### **Article 157: Establishment of the Content of Foreign Legal Norms**

1. In cases where foreign law is to be applied a court, arbitration court, arbitration tribunal or administrative organ establishes the content of its norms in accordance with their official interpretation, practical application and doctrine in the foreign state in question.

In order to establish the content of norms of foreign law a court, arbitration court, arbitration tribunal or administrative organ may request according to established procedures assistance and clarification from the USSR Ministry of Justice or other competent organs and agencies in the USSR and abroad, or engage experts for this purpose.

Persons involved in such a case have a right to present documents confirming the content of the corresponding norms of foreign law.

2. If the contents of foreign legal norms cannot be determined despite all measures taken in accordance with the present article, then Soviet law is to be applied.

### **Article 158: Restrictions on the Application of Foreign Law**

Foreign law may not be applied in cases in which its application would be in violation of the foundations of Soviet law and order (public order). In such cases Soviet law is to be applied.

Refusal to apply foreign law may not be based solely on differences between the political and economic system of the foreign state in question and the political and economic system of the USSR.

### **Article 159: Statute of Limitation on Suits**

The statute of limitation on suits is to be determined by the law of the country whose legislation is used to regulate the relations in question.

Claims to which a statute of limitation on suits does not extend are to be defined according to Soviet law.

### **Article 160: Legal Capacity and Competence of Foreign Citizens or Persons Without Citizenship**

1. Foreign citizens and persons without citizenship enjoy legal capacity in the USSR on a par with Soviet citizens. Individual exclusions may be established by USSR legislative acts.

2. The civil legal competence of a foreign citizen is determined by the laws of the country of which he or she is a citizen.

3. The civil legal competence of a person without citizenship is determined by the laws of the country of which he or she is a permanent resident.

4. The civil legal competence of foreign citizens and persons without citizenship in regard to transactions performed in the USSR are obligations arising as the result of damages caused in the USSR is determined by Soviet law.

5. Judgement of an individual incompetent or of limited competence in the USSR is to be carried out in accordance with Soviet law.

6. Recognition of a person as missing or declaration of a person legally dead in the USSR is to be carried out in accordance with Soviet law.

### **Article 161: Legal Capacity of Foreign Corporate Bodies**

1. The civil legal capacity of foreign corporate bodies is determined by the laws of the country where the corporate body was established.

2. When concluding transactions a corporate body may not cite restrictions on the powers of its organ and representative which are unknown under the laws of the country in which the organ or representative of a foreign corporate body performs the transactions.

### **Article 162: Reciprocal Restrictions on Legal Capacity**

The USSR Government may place reciprocal restrictions on legal capacity with regard to the citizens and corporate bodies of those states which have special restrictions on the legal capacity of Soviet citizens and corporate bodies.

### **Article 163: Protection for Personal Non-Property Rights**

At the choice of the injured party the law of the country where the action or other circumstance which prompted the demand for protection of such rights occurred or the

law of the country where the injured party holds permanent residence may be applied to personal non-property rights.

#### **Article 164: The Right to Ownership**

1. The right to ownership of property is determined by law of the country where said property is located.

The right to ownership of means of transportation subject to state registration is determined based on the law of the country where such registration takes place.

2. The origination and termination of the right to ownership of property are determined based on the laws of the country where said property is located at the moment when the action or other circumstance occurred which served as grounds for the origination or termination of the right to ownership, unless otherwise stipulated by USSR legislation.

3. The origination and termination of the right to ownership of property which is the object of a transaction is determined based on law at the place where the transaction was made, unless otherwise stipulated by agreement between the parties to the transaction.

The right to ownership of property which is in transit in connection with a foreign trade transaction is determined by the laws of the country from which the property was shipped, unless otherwise stipulated by an agreement between the parties to the transaction.

4. The rights of a property owner in the event that material claims are lodged against the property owner regarding protection for the right of ownership are determined at the property owner's choice by the laws of the country where the property is located, the laws of the country in whose court the claim was filed, or the laws of the country in which the means of transportation in question is registered.

#### **Article 165: Transactions and Power of Attorney**

1. The form of a transaction is subject to the laws of the place where it was made. However, a transaction made abroad cannot be considered invalid as a result of failure to comply with a form if the requirements of Soviet law are met.

The form of foreign economic transactions performed by Soviet corporate bodies and citizens is determined by USSR legislation regardless of the place where such transactions occur.

The form of transactions involving buildings and other real property located in the USSR is subject to Soviet law.

2. The rights and obligations of the parties to a transaction are determined by the laws of the place where the transaction occurred, unless otherwise stipulated by an agreement between the parties. The place where a transaction occurred is determined according to Soviet law.

3. The form of and time limits on a power of attorney are determined by the laws of the country where the power of attorney was issued. However, a power of attorney may not be considered invalid as a result of failure to comply with a form if that form meets the requirements of Soviet law.

#### **Article 166: Obligations With Regard to Foreign Trade Transactions**

1. The rights and obligations of the parties to a foreign trade transactions are determined by the laws of the country selected by the parties upon conclusion of the transaction or in a subsequent agreement.

In the absence of an agreement between the parties regarding appropriate application of law, the applicable laws are those of the country which serves as a base of operations for the party which:

- 1. is the seller, under a sales contract;
- 2. the lessor, under a property rental contract;
- 3. the license issuer, under a licensing contract concerning use by exclusive or analogous rights;
- 4. the storage agent, under a storage contract;
- 5. the agent, under a commission contract;
- 6. the attorney, under a power of attorney agreement;
- 7. the carrier, under a shipping contract;
- 8. the expeditor, under a contract regarding expediting services;
- 9. the insurer, under an insurance contract;
- 10. the creditor, under a credit agreement;
- 11. the donor, under a donation agreement;
- 12. the guarantor, under a cosigning agreement;
- 13. the mortgage holder, under a mortgage contract.

2. Under contracts regarding production collaboration, specialization and cooperation or performance of construction, installation and other jobs relating to capital construction the laws of the country where such activities are carried out or where the results specified by contract are created are applicable unless otherwise stipulated by an agreement between the parties.

3. Under contracts concerning the establishment of joint ventures with participation by foreign corporate bodies or citizens the laws of the country where the joint venture is established are applicable.

4. Under contracts concluded at auctions, as a result of a competition or at a financial market the laws of the country where the auction or competition is held or the financial market is located are applicable.

5. In regard to rights and obligations under contracts not specified in points 1-4 of the present article the laws of the country within whose territory the party which is entrusted with performance which is of decisive significance to the agreement in question was established, is located or performs the greater part of its operations are applicable.

6. In connection with acceptance of performance under a contract, consideration is given to the laws of the place where such acceptance occurred, unless otherwise stipulated by the contracting parties.

#### **Article 167: Obligations Stemming From Damages**

The rights and obligations of the contracting parties in regard to obligations stemming from damages are to be determined by the laws of the country where the action or other circumstance which constitutes grounds for a damage compensation claim occurred.

The rights and obligations of the parties in regard to obligations stemming from damages incurred abroad, if the parties are Soviet citizens or Soviet organizations, are to be determined by Soviet law.

Foreign law is not applicable if the action or other circumstance which constitutes grounds for a damage compensation claim is not illegal under Soviet law.

#### **Article 168: Unjustified Enrichment**

The laws of the country where enrichment occurred are applicable to obligations stemming from unjustified enrichment.

#### **Article 169: Inheritance Law**

1. Relations pertaining to inheritance law are to be determined by the laws of the country where the testametary held permanent residence, unless otherwise stipulated by the present Fundamentals.

2. The competence of a person to compose or revoke a will, as well as the form of the will and the act of revocation, are to be determined by the laws of the country where the testametary held permanent residence at the time the document was drawn up. However, a will or the act of revocation of a will cannot be judged invalid as a result of failure to comply with a form, if the latter meets legal requirements at the place where the document was drawn up or the requirements of Soviet law.

3. Inheritance of structures and other real property located in the USSR, as well as rights to that property, is regulated by Soviet law. The same law defines the competence of a person to compose or revoke a will as well as the form of the will, if the aforementioned property or rights to it are being bequeathed.

#### **Article 170: International Treaties**

If an international treaty to which the USSR is a party establishes regulations other than those contained in Soviet civil legislation, then the regulations contained in the international treaty take precedence.

*M. Gorbachev,  
President of the USSR  
Moscow, The Kremlin, 31 May 1991*

#### **Decree Enacting Fundamentals of Civil Legislation**

*91UN1955B Moscow IZVESTIYA in Russian 26 Jun 91  
Union Edition p 7*

[USSR Supreme Soviet Decree: "On Enactment of the Fundamentals of USSR and Republic Civil Legislation"]

[Text] The USSR Supreme Soviet hereby decrees:

1. The Fundamentals of USSR and Republic Civil Legislation shall be enacted on 1 January 1992.

2. Until USSR and republic legislation has been brought into compliance with the Fundamentals of USSR and Republic Civil Legislation the legislative acts of the USSR and the republics shall remain in force, insofar as they do not conflict with the Fundamentals. Furthermore, decisions by the USSR Government and republic governments issued prior to the enactment of the Fundamentals on matters which according to the Fundamentals may be regulated only by legislative acts shall remain in force until the enactment of appropriate legislative acts; acts of USSR legislation on matters which in accordance with the Fundamentals may only be regulated by republic legislation will remain in force until the enactment of appropriate republic legislation.

3. The Fundamentals of USSR and Republic Civil Legislation are applicable to civil legal relations which originate following the enactment of the Fundamentals, i.e. as of 1 January 1992.

In connection with civil legal relations which originated prior to 1 January 1992, the Fundamentals of USSR and Republic Civil Legislation are applicable to those rights and obligations which originate following enactment of the Fundamentals.

4. Matters placed by the Fundamentals of USSR and Republic Civil Legislation under the jurisdiction of a court or arbitration court and matter which have not been fully processed by administrative and other organs by 1 January 1992 are subject to review by courts or arbitration courts in accordance with established jurisdiction.

5. The time limits for the statute of limitation on suits established by the Fundamentals of USSR and Republic Civil Legislation are applicable to those suits, time limits for presentation of which as stipulated under previous legislation have not expired as of 1 January 1992.

6. It is recommended that republic supreme soviets establish procedures for registering corporate bodies as stipulated in Article 13 of the Fundamentals of USSR and Republic Civil Legislation by 1 January 1992.

Corporate bodies registered with the state prior to 1 January 1992 are subject to reregistration with justice organs, with no registration fee to be charged.

Branches established prior to 1 January 1992 which possess the rights of corporate bodies are subject to reorganization into independent organizations, subsidiary enterprises or branches without the rights of corporate bodies prior to reregistration of the corporate body which established them.

7. The statement contained in Article 20, point 1 of the Fundamentals of USSR and Republic Civil Legislation regarding division of all of production cooperatives' property into shares held by their members is applicable to property created or acquired by the aforementioned cooperatives after 1 January 1992.

8. It is hereby established that the effects of Article 50, point 3 of the Fundamentals of USSR and Republic Civil Legislation also extend to cases in which possession of the property commenced prior to 1 January 1992 and continues through the time of enactment of the Fundamentals.

9. The regulations contained in Article 89, point 4 and Article 90, point 3 of the Fundamentals of USSR and Republic Civil Legislation are applicable to those housing rental contracts in non-state housing which will be concluded after 1 January 1992.

10. Responsibility for damages incurred as a result of defects in products and workmanship after the enactment of the Fundamentals of USSR and Republic Civil Legislation will be based on the regulations contained in Article 129 of the Fundamentals in cases where the product was manufactured both before and after 1 January 1992.

11. It is hereby established that works which were not previously recognized as objects of copyright are covered under Section IV of the Fundamentals of USSR and Republic Civil Legislation if the works in question were published after 1 January 1992.

12. It is hereby established that the time limits on the validity of copyright stipulated in Article 137 of the Fundamentals of USSR and Republic Civil Legislation are applicable to works, the copyright of which has not expired as of 1 January 1992.

13. Procedures for the inheritance of deposits stipulated in Article 153, point 4 of the Fundamentals of USSR and Republic Civil Legislation are applicable to bank deposits regardless of the time they were made, if the reading of the will takes place after 1 January 1992.

14. The USSR Cabinet of Ministers is hereby instructed:

—by 1 November 1991:

to develop and present according to established procedures a draft Law on General Principles of the Establishment and Functioning of Shareholder Societies and Partnerships, a draft Law on Immunity of the State and State Property, a legislative act on procedures for registration of corporate bodies which are USSR state organs and corporate bodies which are part of the USSR Armed Forces, border troops, internal troops or railway troops, as well as drafts of other USSR legislative acts necessary to ensure the functioning of the Fundamentals of USSR and Republic Civil Legislation;

to submit for USSR Supreme Soviet consideration proposals regarding means of correlating USSR legislative acts with the Fundamentals of USSR and Republic Civil Legislation;

—by 1 January 1992:

to consider preparation of a standardizing act regarding compensation for damages caused by military personnel during the performance of military duties;

to approve procedures for keeping a unified all-Union register of corporate bodies;

to bring USSR Government decrees and regulations into line with the Fundamentals of USSR and Republic Civil Legislation;

to carry out review and repeal by USSR ministries and agencies of their standardizing acts which conflict with the Fundamentals of USSR and Republic Civil Legislation.

15. The following shall no longer be effective as of 1 January 1992:

the USSR and Union Republic Fundamentals of Civil Legislation approved by a USSR law of 8 December 1961 (see: VEDOMOSTI VERKHOVNOGO SOVETA SSSR, 1961, No 50, p 525);

and a USSR Supreme Soviet Ukase of 10 April 1962 entitled "On Procedures for Enactment of the Fundamentals of Civil Legislation and Fundamentals of Civil Proceedings" (see: VEDOMOSTI VERKHOVNOGO SOVETA SSSR, 1962, No 15, p 156) insofar as it concerns the enactment of the Fundamentals of USSR and Republic Civil Legislation.

*A. Lukyanov, chairman,  
USSR Supreme Soviet  
Moscow, The Kremlin, 31 May 1991*



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